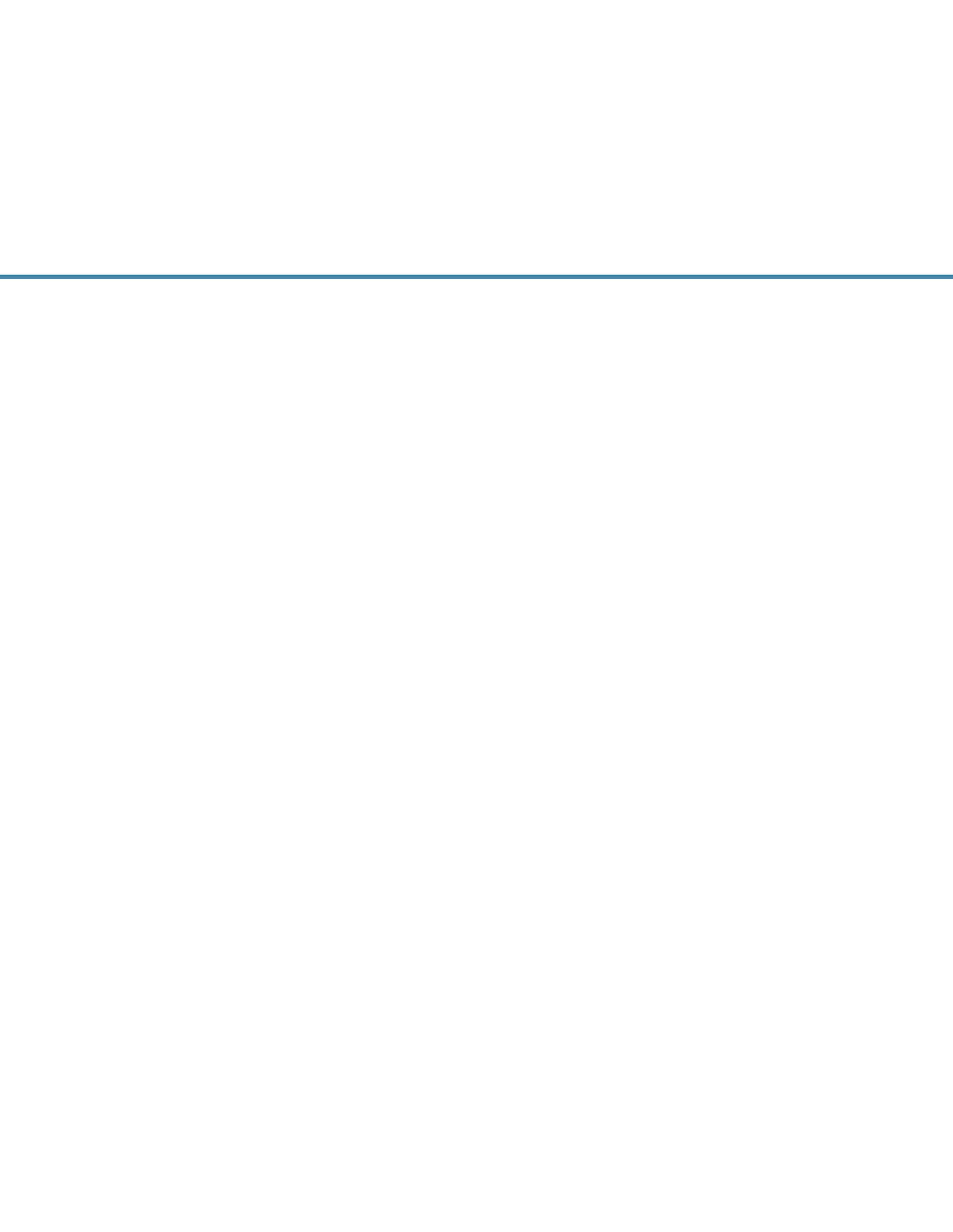

2012 Global Forecast

Risk, Opportunity, and the Next Administration

Edited by Craig Cohen and Josiane Gabel





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Contents

- 1 Introduction: Risk, Opportunity, and the Next Administration
Craig Cohen and Josiane Gabel
- PART I: BUILDING A FOUNDATION OF SECURITY**
- 6 The Importance of Budget Compromise to National Defense
John J. Hamre
- 8 Will America Defeat Itself? Ideas and National Power
James A. Lewis
- 11 The Worst Threat to America: A Partisan and Self-Paralyzed Congress
Anthony H. Cordesman
- 15 Global Force Posture Under the Threat of Sequester
David J. Berteau and Stephanie Sanok
- 18 Rethinking U.S. Military Presence in Asia and the Pacific
Michael J. Green
- PART II: ASSESSING MAJOR REGIONAL CHALLENGES**
- 22 Pivot to Asia: Prepare for Unintended Consequences
Bonnie S. Glaser
- 25 Russia Drifts Eastward?
Andrew C. Kuchins
- 28 The End of Zero Problems? Turkey and Shifting Regional Dynamics
Bulent Aliriza and Stephen Flanagan
- 30 Arab Changes Yet to Come
Jon B. Alterman
- 33 Beware the Backburner: The Risk of a Neglected Europe
Heather A. Conley
- PART III: ANTICIPATING INSTABILITY AND RECOGNIZING OPPORTUNITY**
- Anticipating Instability*
- 36 The 3 A.M. Phone Call: Pyongyang
Victor D. Cha
- 38 The Americas: Risks and Rewards of Decaying Authoritarianism
Stephen Johnson
- 41 Will Food Prices Drive Instability?
Johanna Nesselth Tuttle and Kristin Wedding
- Recognizing Opportunity*
- 44 The Evolving Economic Picture in Asia
A Conversation with Ernest Z. Bower, Meredith Broadbent, and Matthew P. Goodman
- 47 India and Pakistan: Practical Steps, Transformational Benefits
Karl F. Inderfurth and S. Amer Latif
- 50 Shifting the Narrative on Africa: Playing to the Continent's Upside
Jennifer G. Cooke
- PART IV: MANAGING NUCLEAR AND PROLIFERATION RISKS**
- 54 Forging a Consensus on a Sustainable U.S. Nuclear Posture
Clark A. Murdock and John K. Warden
- 57 Nuclear Challenges in 2013
Sharon Squassoni
- 59 Nuclear Energy in America: Preventing its Early Demise
Michael Wallace and Sarah Williams
- 62 Biodefense: When Technology Goes Global
Carol R. Kuntz
- PART V: DEVELOPING NEW SECURITY PARADIGMS**
- 66 The Role of Unconventional Oil and Gas: A New Paradigm for Energy
Frank A. Verrastro
- 69 Playing a New Geoeconomic Game
Juan Zarate
- 72 Combatting Al Qaeda After Bin Laden
Thomas M. Sanderson
- 75 The Future of Special Forces
Rick "Ozzie" Nelson and Rob Wise
- 78 Stabilization and Reconstruction After Iraq and Afghanistan
A Conversation with Nathan Freier and Robert Lamb
- 82 The End of the Golden Era of Global Health?
J. Stephen Morrison
- 84 Foreign Assistance in a Time of Austerity
Daniel F. Runde
- 86 Public Diplomacy for a New Era
Walter Douglas
- 88 **AUTHORS**

Introduction: Risk, Opportunity, and the Next Administration

Craig Cohen and Josiane Gabel



Every senior national security leader in Washington is struggling with how to allocate the shrinking resources on hand to address an expanding problem set.

Washington does not typically focus on objective foreign policy analysis and bipartisan solutions six months before a U.S. Presidential election. Election years by their nature tend to bring out the worst of the partisanship, shrill advocacy, and superficial debate that has come to characterize Americans' view of the capital. Administrations spend the election run-up trying not to generate unwanted headlines, while opposition parties treat every government action, no matter how small, as a referendum on American power and purpose. In such a hyperbolic environment, strategic thinking and sensible solutions are in short supply.

This campaign season in particular, foreign and defense policy has to date remained largely in the background. This is true for a number of reasons. First, most voters seem to think that electoral success ought to hinge on who will be the best steward of the U.S. economy going forward. Second, one of the main animating issues this cycle is the role of government in American life, something that does not have direct relevance to foreign affairs. And third, the ongoing war in Afghanistan has not become a major campaign issue given the country's general state of war weariness. When foreign policy issues do arise, such as concern over military confrontation with Iran, they have not sustained the country's attention. Absent a real crisis, both Republicans and Democrats appear content to make 2012 a "domestic" election.

Of course, Washington's focus on domestic issues does not mean that challenges abroad dissipate or disappear. In fact, to take as broad of a brush as possible, the two principal dynamics at play at home and abroad right now are working adversely to U.S. interests: contraction of resources on the

home front and rising volatility and complexity of challenges overseas. This does not have to equate to American decline, but it does mean added risk. Every senior national security leader in Washington is struggling with how to allocate the shrinking resources on hand to address an expanding problem set.

The overall challenge for the United States is to make decisions of force posture, diplomatic presence, and economic assistance from a comprehensive, long-term, strategic perspective rather than in an ad hoc manner. Decisions to lower troop levels abroad, scale back collection and analysis capabilities, surrender the diplomatic initiative, or slash foreign aid may be budgetary necessities in this new era, but every action will send a signal overseas that will have consequences. Mapping these risks—and indeed, managing them—will not guarantee a safe and prosperous world, but it will certainly be better than the alternative.

What the reader will find here in the 2012 iteration of *Global Forecast* is an effort to look ahead after November's elections to predict what will be the main risks and opportunities facing the next administration, whether a second Obama term or the first for a Republican president. What are the big issues facing our country that leaders from both parties are not sufficiently prepared to address? Where is an entrenched policy consensus blinding us to the possibility of sudden change, unintended consequences, or harmful second order effects? How can the United States better recognize and capitalize on new opportunities that might arise? This small volume is not meant to be comprehensive, but to provide a window into the thinking of CSIS's exceptional team of experts who are in demand every day by the private sector, our government, and the media.

What are the big issues facing our country that leaders from both parties are not sufficiently prepared to address?

Part I, "Building a Foundation of Security," lays out how the U.S. fiscal situation is having an impact on our national security. To quote CSIS's Chairman of the Board, Senator Sam Nunn: if the crime is runaway deficits, national security will be one of its principal victims. CSIS's President & CEO John Hamre analyzes our predicament: we are imperiling national defense without guaranteeing the foundation of our security over time. Despite the cost-cutting mood in Washington today, James Lewis argues for a continuing role for federal investment to secure strategic goals. Anthony Cordesman looks at the main perpetrators of the deficit "crime": government's inability to compromise on entitlements and taxes, which has now raised the specter of sequestration. David Berteau and Stephanie Sanok examine what sequestration might mean for U.S. force posture, particularly critical in the Asia-Pacific in light of China's rise. Michael Green asks what proposed cuts might mean for sustaining a U.S. presence in Asia over the long-term.

Part II, "Assessing Major Regional Challenges," looks at five complex geopolitical issues that will likely require U.S. attention in the year ahead. Bonnie Glaser analyzes the possible unintended consequences of the pivot to Asia, examining how Beijing's reaction could affect U.S. allies and interests. Andrew Kuchins explores the growing Russia-China relationship and how it might flower as newly elected President Vladimir Putin's domestic situation becomes less stable. Bulent Aliriza and Stephen Flanagan explain how unrest in Syria is jeopardizing Turkey's relationship with both Iran and Russia and complicating its position in the region. Jon Alterman looks at what the next iteration of the Arab Spring might look like, examining the potential for disruptions in Jordan, Morocco, and Saudi Arabia. And Heather Conley argues that the European financial crisis is having second order effects that could undermine Europe's very foundation of liberalism.

Part III, “Anticipating Instability and Recognizing Opportunity,” tries to foresee where the next administration might either get pulled in to an unforeseen crisis, or might want to try to shape a new environment. With regard to potential crises, Victor Cha reminds us of Pyongyang’s unpredictability, Stephen Johnson highlights the risks of decaying authoritarians in Latin America, and Johanna Nesselth Tuttle and Kristin Wedding look at food prices as a driver of instability. On the positive side, Ernest Bower, Meredith Broadbent, and Matthew Goodman discuss the evolving economic picture in Asia and how the United States can best orient its trade policy toward the region. Karl Inderfurth and Amer Latif look at the potential transformational benefits of trade between India and Pakistan. And Jennifer Cooke provides a positive vision of Africa’s possible economic takeoff.

Part IV, “Managing Nuclear and Proliferation Risks,” drills down into some of the toughest challenges any government will have to face: how to use technological advances to protect and provide for citizens without exposing them to catastrophic risk. Clark Murdock and John Warden examine the difficult decisions the next administration will face concerning new nuclear delivery systems, infrastructure investments, and most important, what nuclear strategy to pursue. Sharon Squassoni looks at the range of proliferation challenges facing the next government, including from Iran and North Korea. Michael Wallace and Sarah Williams provide a sobering assessment on how the potential wind down of America’s nuclear industry could coincide with a massive nuclear build-up in Asia, creating new security challenges in the years ahead. Carol Kuntz looks at proliferation of a different sort: biological threats and why our current Cold War approaches are likely to fail to prevent an attack.

Finally, Part V, “Developing New Security Paradigms,” takes as its premise that a new

administration will seek to look with clear eyes at the world and develop original frameworks for addressing new challenges. Frank Verrastro writes on how shale gas and tight oil are completely changing how we ought to think about energy security. Juan Zarate takes an equally sweeping view of “geoeconomics,” arguing that our current government is not well prepared to address the confluence of geopolitical and economic problems that will face us in the years ahead.

The next three pieces look at issues that have consumed great attention over the past decade: first, how to confront Al Qaeda after Bin Laden’s death? Thomas Sanderson argues that we should not look for a new paradigm quite yet. Rick “Ozzie” Nelson and Rob Wise then look at the internal U.S. government tensions likely to arise as U.S. Special Forces seek to expand their mission set. And Nathan Freier and Robert Lamb discuss what stability operations might look like after Iraq and Afghanistan. Their answer may surprise you. The final three articles look at “soft power” in this time of austerity, often the first place an administration and Congress look to make cuts. Stephen Morrison writes on how to sustain the global health gains of the last decade. Daniel Runde examines what is in some circles a taboo topic: closing aid missions in middle income countries. And Walter Douglas explores why public diplomacy has ceased to be at the forefront of public debate and how the next administration should think about the challenge at hand.

Global Forecast 2012 provides a snapshot of CSIS’s collective wisdom on the challenges facing the next administration in the years ahead. Although the focus is on foreign and defense policy, this is a year when our domestic debates are intrinsically tied to long-term success abroad. Failure of the next Administration to recognize the risks and opportunities in both settings will have consequences for years to come. ■

Part I Building a Foundation of Security



2

The Importance of Budget Compromise to National Defense

John J. Hamre

The coming election poses one of the starkest choices between two competing visions for the role of government in American society and economy. Democrats argue for a continuing major role of government intervention to continue the recovery and shape a new American competitiveness in a globally competitive world. Republicans decry the increasingly untenable fiscal foundation of a great power and argue for a marked retrenchment in government spending. Previous elections hinged on similar rhetoric, but this time it seems very real.

While America is tearing itself apart these days on domestic policy, there is little dispute on foreign policy. Aside from personal taunts, there is a broad consensus on current directions in American foreign policy. President Barack Obama's formulation for a pivot to Asia, while overstated, is widely accepted. The absence of a debate on foreign policy does not mean the path is not affected by the wider debate. Indeed America's future as a global superpower stands in the balance. The budget battles hanging over the next administration, no matter how November's elections turn out, will decide whether the coming decades represent America in retreat or America in command.

The budget battles hanging over the next administration will decide whether the coming decades represent America in retreat or America in command.

In one sense the die was cast last August when President Obama and the Republican leadership in Congress reached a compromise to avoid default on American bonds. Like sumo wrestlers, the two parties postured noisily. Democrats excluded any discussion of cuts to Social Security, while Republicans vetoed any talk of tax increases. Fearing the growing anger of the electorate, the two parties agreed on the lowest common denominator—cutting so-called discretionary spending.

Entitlements are now the biggest part of the federal budget. They are dictated by law and do not depend on annual congressional action to appropriate funds. Taxes too are based in statute and require positive legislative action to change them. Discretionary spending, however, requires an annual appropriation from Congress. In effect, Congress and the White House made discretionary spending—which is only 25 percent of the problem—carry 100 percent of the solution. It won't work.

The failure of the "super committee" last Thanksgiving has now triggered a mechanical process to cut \$1.2 trillion out of only discretionary spending. Everyone in Washington says the sequester will never happen. Yet it is the law of the land at present and will require affirmative action by the Congress to change it.



The leadership of the Department of Defense argues (and I agree) that it is not possible to cut another \$600 billion from defense without real damage to our national security. Defense Secretary Leon Panetta originally submitted a budget proposal that cuts \$450 billion over a 10-year period. The \$600 billion of additional cuts will be on top of that. We were able to sustain a global strategy with acceptable risk with the \$450 billion in cuts. The deeper \$600 billion in cuts will necessitate profound changes in strategy.

There are two dimensions to national security. “Small letter” national security derives from our investments in the Defense Department and the intelligence community. It comes from the composition of our forces, the quality and number of the troops, the quality and realism of their training, the modernity and maintenance of their weapons and so forth. That is “small case” national security.

The other dimension is “capital letter” National Security—the health of our economy, the broad support from citizens for the purposes of our government, a consensus for national service and sacrifice, the vitality of our society, the dynamism of our work force, and the innovation of our universities and corporations. In short, “capital letter” National Security is about the fundamental health of America.

The country’s overall fiscal health and societal vigor is now in tension with the resources required to adequately protect American lives and interests. We cannot have a healthy and vibrant economy when we have an unbalanced and unsustainable

federal budget. And this problem is getting worse and becoming chronic. Entitlements will have to be scaled back. And we will need to raise more revenue.

There is no solution without a balanced and comprehensive compromise to our budget crisis. Indeed, the absence of a consensus on the grand budget compromise now puts greater pressure on national security—namely, defense budgets. The defense budget is threatened by both those who refuse to cut entitlements and those who refuse to raise additional revenue.

Candidly, I suspect deeper defense cuts are inevitable. If we stay on the current trajectory with entitlements and taxes off the table, the defense budget will be cut \$1 trillion over 10 years (including the \$450 billion cut initially submitted). If both parties admit to the peril of the present situation and agree to a grand compromise with cuts ranging \$4-5 trillion, defense’s “fair share” will be about \$1 trillion. But at least then we will have solved the great peril to our society, even if it means fewer resources going to defense in the near term.

Right now we have the worst of both worlds. We have cuts to defense that threaten national security without a comprehensive solution that guarantees our National Security over time. This should be the focus of this election. The lack of a comprehensive solution sets America on a path toward global decline. I am, however, an optimist. We continue to live in a moment of transcending responsibility. National Security is what is most important now. We must have leadership. ■

Will America Defeat Itself?

Ideas and National Power

James A. Lewis

America was not a great power in the late nineteenth century. It was rich and thought highly of itself, but it had little international influence or respect. The line attributed to Bismarck, that God protects children, drunks, and the United States of America, was not meant as a compliment. Learn this line, because as a country we are on a path to return to our nineteenth-century status.

There are happy books about the world America made that provide the comforting illusion of the once and future superpower. It is true that in terms of resources, population, military strength, and wealth, the United States ranks among the leading nations of the world. However, our ideas have changed and they are failing us. We inherited a powerful ship of state built by those who won the Cold War, but we have no idea how to maintain it.

In the 1970s, just like today, America had suffered military defeat, was in recession, and worried about energy. America's leaders were bedeviled by political turmoil. The Soviets, looking on the chaos and weakness from a distance, pronounced that "the correlation of forces has shifted irrevocably



to the socialist camp.” They were wrong, and a resurgent America overcame its political disputes to win the Cold War and launch 20 years of growth. Perhaps this will happen again, and our potential opponents should not discount the ability of American democracy to reconceptualize itself (after exhausting all other alternatives).

But parallels with the 1970s are not exact. Our competitors now are not the lethargic Soviets. Our allies are feeble and fractious. More importantly, our thinking on how to build national power has changed in damaging ways. Despite routine assertions to the contrary, there is no substitute for government’s ability to aggregate resources and direct them toward strategic ends.

Perhaps America’s failure of ideas is the inevitable result of an ideological contest that lasted for decades. The Soviets sought an all-pervasive state. America stood for individual liberties. We created a strong counter-ideology to defeat authoritarianism, but the trajectory of these ideas has continued far beyond what is pragmatic and into the realm of slogan and self-defeat. Like a driver who overcorrects in a skid, we are headed into a ditch.

Understanding why this is so requires looking at how America transformed itself into a global power. Beginning in 1940, the United States used science and technology to gain military advantage in a global war. It was unafraid to go into debt to build factories—entire industries—that laid the foundation for industrial and military strength.

There is no substitute for government’s ability to aggregate resources and direct them toward strategic ends.

In the 1950s, America institutionalized this approach and established dynamic organizations like the Defense Advanced Research Projects Agency (DARPA). Federal investment created strategic technologies: semiconductors, software, and aerospace, the industries that are the core of America’s high-tech exports today. Most importantly, through the National Defense Education Act, federal investment created the human capital (engineers and scientists) that made America a high-tech economy. The last of that generation are reaching retirement age, and as they leave the workforce they are not being replaced. The great creative burst that began with Sputnik has ended.

We will not rekindle it until we abandon anti-government ideology and admit that there are certain strategic tasks—including investment and innovation—that only the federal government can perform.

Two examples highlight the problem. Federal spending, not private investment, built the superhighways that connect America and opened our economy. Federal spending, not private investment, created the Internet’s core technologies. To these we can add a long list of technologies that would not exist without federal investment. President Dwight Eisenhower, taught by his wartime experience, did not suffer from confusion or doubt about the respective roles of government and the private sector in building American power. It is an open question, after Solyndra, if the United States still has the ability to make strategic investments, but if we have lost this skill, decline is inevitable.

How America ended up with an ideology that puts its global influence at risk is a strange political tale. The belief that government is inefficient and that crucial tasks should be left to the private sector, first mumbled in the 1980s, is now pervasive, even among Democrats (the strange, 30-year metamorphosis of Progressivism into a cluster of boutique issues is a story for another day). Suspicion of big government, always present on the far right, was reinforced on the left by the reaction to Vietnam. A reasonable critique of Keynesian economic intervention was hijacked by anti-tax zealots. The result is steady decline in our ability to take collective action to advance America's strategic interests.

There is more than a modicum of dishonesty in the public debate today. The right problems have been identified, but the ideas floated to fix them are nostrums. Government spending needs to be cut, but cuts should be in entitlements, which are gobbling the federal budget, not in the discretionary programs that provide America's muscle. Regulation needs to be trimmed, but we should have no illusions that the pre-regulatory America of the nineteenth century was safe or pleasant for most citizens. Finding a middle path on regulation, taxes, and fiscal matters would strengthen America, yet there seems to be no appetite for a pragmatic approach to reform.

Like the Soviets and their myths of heroic workers, we have created a heroic mythoholy of brave entrepreneurs and businessmen that distorts our perception of which policies actually work, and which are merely self-justification. Self-interest has its place, and the market (which is the aggregation of the self-interest of many individuals) provides the best solution for most business problems—but not for national security or public safety. If anti-government rhetoric made sense, we would not be telling ourselves comforting tales about how decline is temporary or an illusion. We can cut taxes and regulation back to nineteenth-century levels, but we should not pretend this does not also guarantee a return to nineteenth-century levels of American power. This outcome is certain if we do not change our ideas. It will not be a better world if America makes itself weak. ■



The Worst Threat to America: A Partisan and Self-Paralyzed Congress

Anthony H. Cordesman

The next administration faces many critical national security risks in the coming years: the challenge from China; instability in Iraq, Afghanistan, Pakistan, Syria, and Mexico; the challenge of Iran; the unpredictable behavior of North Korea; and the continued threat of Islamic terrorism.

The uncertain threats in the outside world, however, may be far less critical than the threats that come from within the United States. The most obvious of these is sequestration. A partisan, self-destructive Congress passed a Budget Control Act that called for at least \$2.1 trillion in budget cuts between 2012 to 2021, with the provision that if the committee—whose members proved unable to act in the past—could not agree, \$900 billion in cuts would have to come from discretionary spending and half of that from national security, nearly doubling the \$487 billion in cuts that are already underway. It was a bill that effectively attempted to force Congress to fix itself by the threat of doing something so stupid that even this partisan Congress would have to come to grips with the national interest.

Instead, the bill's failure now leaves the threat of sudden Draconian cuts in our force posture that will destroy every element of a new strategy that already slashes U.S.

forces. The Department of Defense is now forced to plan for sequestration, and while actual cuts this drastic seem unlikely, the prospect of unplanned and highly political cuts to the FY2013 budget and U.S. capabilities seems all too real. If this happens, it will destroy the foundation on which our new strategy is based, force crippling changes in our national security efforts, and put the nation on a path that assumes that there will be no meaningful national security crisis during 10 years of budget cuts—an assumption that the risks outlined earlier make little short of absurd.

There is another near-term risk, however, that is symptomatic of the first. There is no guarantee that the coming election will end the partisan paralysis and political infantilism of the last four years. It is all too possible that neither the Democrats nor Republicans will gain enough votes in both the House and Senate to be able to take hard decisions and address the critical issues in entitlements, federal spending, and national security, and equally possible that the majority in Congress may be from a different party than the president. This has happened before, when Harry Truman had to confront a “do nothing Congress” in one of the most critical periods of the Cold War. Unfortunately, the last two years make it all too clear that a “bitter, partisan, do nothing Congress” will be even worse.

This is not simply because such a Congress will impose a mix of the “know-nothing” cuts that the far left and right want to make to foreign aid and our diplomatic and military advisory presence overseas, along with new forms of “pork” and special interest add-ons. It will be because the combination of partisan and extremist voices in such a Congress will be just as incompetent in dealing with the broader issues of entitlements, social programs, debt, and deficits as the last. It will fail America at a point where real reform is desperately needed and hurt both American society and American national security at the same time.

Neither party is currently being remotely honest about the need both to bring entitlement spending under control by altering entitlement benefits, and to raise taxes and revenues. It is far easier for Democrats and Republicans to pander to their political base, to polarize around each alternative on a narrow partisan basis, and chop at discretionary programs like national security to achieve relatively minor budget savings or trades-offs that do not deal with the underlying problems: the steady massive rise in the cost of entitlements.

So far, only a token few voices in Congress, and no presidential candidate, has been willing (or able) to address the reality that Democrats must make serious cuts in entitlements and Republicans must raise taxes. In fact, what is shaping up as the nastiest and most partisan political campaign in modern American history is also shaping up as the most dishonest.

This duplicity also goes far beyond the usual lack of honesty in the budget debate, and the unwillingness to focus on the fact that it is the rise in entitlement costs—not defense and other discretionary spending—that is driving our current fiscal problems and that will begin to reach the crisis point somewhere between 2014 and 2020.

It is the rise in entitlement costs— not defense and other discretionary spending—that is driving our current fiscal problems.

No political voice seems willing to acknowledge that the underlying issues in entitlement spending involve fundamental social choices. The issue is not simply funding Social Security, Medicare, and Medicaid. It is how to deal with the overall problem of retirement and an aging society, and with the overall rise in the cost of medical treatment for all Americans.

The fundamental problem with Social Security is not that it already costs at least as much of the GDP as national security (4.8 percent) or that the retirement age needs to rise to 70 far faster. In fact, the Census Bureau reports that in 1940, the life expectancy of a 65-year-old was almost 14 years; today it's almost 20 years. By 2036, there will be almost twice as many older Americans as today—up from 41.9 million today to 78.1 million. Nor is the problem just that the population as a whole is aging. There are currently 2.9 workers for each Social Security beneficiary. By 2036, there will be 2.1 workers for each beneficiary.

Rather, the underlying problem is that Americans are not saving for retirement. At the end of 2011, roughly 50 percent of the present U.S. workforce had no private pension coverage, and 31 percent of the workforce had no savings set aside specifically for retirement. Far too many of the rest treated Social Security as if it were a pension plan even though it provides far too little money to meet their needs. In fact, some 74 percent of workers retired before they were even fully eligible, and beneficiaries over 85 years of age increased from 4.5 million in 2005 to 5.2 million in 2010.

The Social Security Administration states in its latest report that, in 2011, 54 percent of retired married couples and 73 percent of unmarried persons—some 35 million Americans or 69 percent of those receiving benefits—received 50 percent or more of their income from Social Security. Some 22 percent of married couples and 43 percent of unmarried persons receiving benefits relied on Social Security for 90 percent or more of their income. Another 9 percent of Americans over 65 had no retirement savings and did not receive Social Security benefits. In addition, 8.4 million disabled Americans and 2 million of their dependents (19 percent of total benefits) depended on Social Security, plus 6.3 million survivors of deceased workers (12 percent of total benefits).

Put simply, we cannot fix the broader social problem created by aging and retirement in a democracy simply by focusing on federal spending on Social Security. We either need to create private incentives and programs that force Americans to save more, or we must turn Social Security into the true national pension plan that far too many Americans believe it to be. We also need much sharper penalties for early retirement, and misuse of disability, or to sharply raise the premium. Finally, we need social adjustments that push the retirement age to 70 in ways that protect the right of seniors to fair employment practices.

Social Security, however, is scarcely the most serious aspect of the underlying problems the Congress and administration have long needed to address. Nor is national security, which has not put any additional pressure on the U.S. economy in spite of more than 10 years of war. The cost of national security has recently not averaged more than 5 percent of the GDP, substantially less than the average burden during most of the Cold War.

The driving factor behind the increase in federal spending has been the rising cost of Medicare and Medicaid (and potentially national medical care under the Affordable Care Act as of 2014). These costs, however, are driven by deep underlying problems in the overall cost of medical care in the United States. They are driven by massive rises in the total national cost of private and public medical care from around 6 percent of the GDP in 1970 to well over the 16 percent quoted for 2010. Costs rose 5.73 percent in 2011. Expenditures in the United States on health care surpassed \$2.3 trillion in 2008, more than three times the \$714 billion spent in 1990, and over eight times the \$253 billion spent in 1980. Without major changes in cost, projections by the Congressional Budget Office (CBO) and others warn that they could rise to some 20 percent of GDP in 2025–2030. Yet, U.S. medical spending now puts roughly twice the burden on the U.S. economy as medical spending in any European state with national health care. Moreover, CBO studies show that almost the entire rise in spending is driven by increases in cost and not by the aging of the population.

These costs are daunting for the roughly one-quarter of Americans who have no insurance and the many more with only partial insurance coverage. Even so, the average health insurance premium for family coverage has more than doubled over the past decade to \$13,770 a year. Some 45.1 percent of the workforce from ages 18 to 64 had no coverage as of September 2011, and many retirees lacked the savings to pay for any additional payments above Medicare. These figures did not include Americans who had not worked in the last 12 months, for whom coverage had dropped substantially since 2008. If one includes self-financed medical insurance, some 50 million Americans or 16 percent of the population had no coverage in 2010. In 2010, 31 percent of Americans

relied on the government for health insurance, up from 24.2 percent in 1999. A total of 9.8 percent of children under age 18 are uninsured despite the government programs.

Private or public, the fiscal problems involved in total U.S. medical spending are so deep and go so far beyond federal programs like Medicare and Medicaid that they cannot be addressed either by cutting or abolishing current federal programs, or by pretending that they can somehow be made adequate and affordable. Just as meaningful political solutions to Social Security must address the broader problem of retirement age and all retirement savings, dealing with the spiraling burden of medical costs must address total national costs and spending and not simply the government share.

In short, if anyone in Congress—or the current presidential campaign—wants to know what is the most serious threat to America, all they have to do is look in the mirror. We cannot solve our problems by sequestering national security and discretionary spending, by partisan polarization, or by focusing only on federal spending. We need to make very hard choices that focus as much on the underlying causes of the rise in entitlements and the need for both private and public action to deal with retirement and medical care. This can only come from honest public policy debates and analysis and bipartisan compromises and sacrifices, as well as from hard choice for the average American.

Unfortunately, one does not have to be a mathematician to note that the probability of that level of political honesty and integrity is damn near zero. And, until that probability changes, the resulting pressures on federal spending will be the most constant and serious threat to U.S. national security. ■



Global Force Posture Under the Threat of Sequester

David J. Berteau and Stephanie Sanok

In a recent discussion on Department of Defense (DoD) budget reductions, we asked two dozen seasoned scholars and practitioners one simple question: does anyone disagree that we could cut defense spending further yet still preserve the essential capabilities we have today? Not one voice was raised in disagreement, despite repeated DoD statements that the \$487 billion in budget reductions already proposed for Fiscal Years 2012–2021 are as much as can be safely cut.

That recognition is the good news. There is other news, however: additional reductions in defense spending are likely, whether through the automatic cuts of sequestration or the negotiated cuts of a congressional deal. The critical questions are therefore: How should we approach planning for such additional reductions? What capabilities must we retain or enhance? And for what purposes do we have this military anyway?

We have the start to some answers. By issuing the new strategic guidance, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, the president and DoD are emphasizing the need to recalibrate the U.S. global force presence. The defense

strategy, according to that document, must allow the United States to shift its focus to the Asia-Pacific and broader Middle East regions while also fulfilling alliance commitments and strengthening partnerships around the world.

This strategic guidance document clearly recognizes the unique opportunity—enabled by the military drawdowns in Iraq and Afghanistan—to “transition [the] Defense enterprise from an emphasis on today’s wars to preparing for future challenges.” Since 2001, combat and related operations have stressed U.S. military forces. Personnel have completed multiple tours in nonpermissive environments. Combat operations in difficult desert or mountainous terrain have strained military hardware and equipment maintenance. Building, repairing, and supporting hundreds of bases and security stations—many in remote areas—have challenged U.S. military and contractor logistics capabilities. The significant increases in defense spending in the last decade are evident in the full range of war-driven costs, from flight and steaming hours to vehicle and ammunition procurement to Special Operations programs. As DoD officials determine how best to rebalance the U.S. military force posture and generate efficiencies from redeploying troops from operational theaters, they must carefully consider where to place those forces.

Moreover, 11 years of war have tested U.S. alliances, partnerships, and even interagency capabilities in ways that were not contemplated

prior to 9/11. DoD has a well-earned reputation across the U.S. government for providing capabilities quickly, even when the activity is not a core DoD mission. One visible example is the DoD Task Force for Business and Stability Operations, which undertook to reinvigorate Iraqi state-owned enterprises, promote local economic growth, and encourage private investment in Iraq and Afghanistan. Other federal agencies have stepped up as well, most notably in the “civilian surge” supporting the mission in Afghanistan. It’s important to continue those relationships. In shifting its strategic focus to the Asia-Pacific and Middle East regions, DoD must assess the capabilities of its partners, whether allies, friendly foreign nations, multilateral organizations, or civilian department and agencies of the U.S. government, and posture military forces in a way that leverages partners’ strengths.

Implementing the new strategic guidance will take a full effort across the U.S. government, from DoD through the State Department and the U.S. Agency for International Development to other departments like Justice, Homeland Security, Treasury, and Commerce. An enhanced force posture in the Asia-Pacific region is but one step. A key lesson from Afghanistan and Iraq is that neither military force nor diplomacy are enough: supporting U.S. national interests requires economic, governance, and additional security efforts as well. Building and sustaining such capabilities require resources and funding, however, and these funds are likely to continue

If we can cut defense spending further yet still preserve the essential capabilities we have today, where do we make those cuts?

to decline. How, then, can the United States support its interests while spending less on national security?

If we can cut defense spending further yet still preserve the essential capabilities we have today, where do we make those cuts? In the world of

private-sector belt tightening, there are only four basic options for reducing spending: people, operations, investments, and overhead. For DoD, cuts in people and operations are tied to the drawdown in Afghanistan, not to budget reductions for their own sake. Investments are already taking more than double their share of defense downsizing, with reductions in every military service.

Overhead reductions are much harder for DoD. Unlike private companies, there is no line item in the budget called “overhead,” and what is excess overhead for one group is another group’s essential capacity for training or increasing support in time of emergency. Defense has one time-honored way to reduce overhead, though, and that’s through base closures or BRAC (for Base Realignment and Closure). Used five times in the last 25 years, often with significant long-term savings, BRAC is on the table for new legislation.

Before Congress says yes, DoD will need to take two steps. One step is to set the record straight on the problems from the last round of base closures in 2005, which cost more and saved less than estimated. DoD must show how it will avoid those problems in the next round.

The second step is to formalize a plan for global forces and overseas bases, clearly demonstrating why forces must be deployed around the world and how costs have been constrained to the minimum effective level. This second step will require concerted effort by DoD, and cost effectiveness will depend on the kinds of interagency capabilities and cooperation that we have learned to leverage in Afghanistan and Iraq.

Taken together, these two steps can go a long way toward helping prepare U.S. national security to remain robust within the reduced budgets we are likely to see. There is no better path for us to take. ■



Rethinking U.S. Military Presence in Asia and the Pacific

Michael J. Green

For the past six decades the U.S. military has enjoyed preeminence in the Western Pacific, but there are increasing questions about whether this advantageous position is sustainable given a combination of budget cuts, asymmetrical military threats, and local opposition to bases. The bottom line is that the United States can and must retain a robust military presence in the region, taking advantage of new partnerships, technologies, and operational concepts—while recognizing that many of the challenges we face are not entirely new. Inertia and incrementalism will not work, however. The United States will need to develop a holistic strategy that builds on all the instruments of national power as we rebalance toward Asia.

U.S. Pacific Command (PACOM) faces a fundamental budget challenge: even with an administration pledge to hold U.S. capabilities steady in Asia while cutting force structure elsewhere, \$487 billion in planned cuts means hollowing out other commands' assets in ways that will ultimately force cannibalizing of



PACOM assets when crises hit the Middle East or elsewhere. Moreover, upgrading, consolidating, and dispersing U.S. bases and facilities in the PACOM area of responsibility will cost money—even if the result is a smaller footprint. Any serious strategy for sustaining a presence will have to take this into consideration.

The military challenges to U.S. forward presence are also growing. China's anti-access/area denial (A2/AD) capabilities are increasing the risk to U.S. assets located within the so-called Second Island Chain (south from Japan through Guam). The quantity, range, and lethality of Chinese and even North Korean ballistic missiles have grown several-fold in the past decade. This threat has prompted some experts to propose pulling critical U.S. assets out of missile range so there will be a conventional retaliatory capability in the region. This proposal is both ahistorical and counterproductive, however.

Influence and engagement in the region depends on constant presence.

The United States actually tried such a strategy in the 1930s. Under “War Plan Orange,” a decrepit Asiatic Squadron left in the Philippines to deter attack was easily swept aside by the Imperial Japanese Navy, while the supposedly safe haven of Pearl Harbor proved far too vulnerable to air attack. Moreover, as the previous chief of naval operations has stressed, “you cannot surge trust.” Influence and engagement in the region depends on constant presence.

Finally, it is worth remembering that the United States faced equally serious missile threats from the Soviet Union during the late Cold War. The response was not to scuttle and run, but instead to double down on air and naval assets and to integrate defense planning even more closely with Japan in order to complicate Soviet planning and enhance deterrence. That strategy worked, and the asymmetrical military challenges to our presence will require a similarly bold approach today.

The political challenges to U.S. forward presence in the Western Pacific are almost entirely local, but they matter. The most acute problem is in Okinawa, Japan, which has been forced by dint of history to host 80 percent of the U.S. military facilities in Japan. Efforts by the U.S. and Japanese governments to reduce that footprint by transferring 8,000 Marines to Guam have been hung up on local environmental permits needed to consolidate replacement facilities in Okinawa (specifically an order to close Marine Corps Air Station Futenma).

Meanwhile, escalating costs and questions about the capacity of Guam to absorb the new forces have further complicated the budgetary and political environment. Early in 2012, the U.S. and Japanese governments agreed to reduce the number of Marines going to Guam to 4,700 and to proceed with the move without waiting for the new facility to replace Futenma. That created some sense of forward movement, but it did not solve the basic problem of where to base Osprey and other aircraft the Marines need forward deployed. A solution will not come in a bilateral U.S.-Japan context alone; the Defense Department will have to find a way forward that involves new thinking about the Marines' rotational practices in the region as a whole.

Therein lays the opportunity for a fresh look at forward presence and engagement in the Western Pacific. China's aggressive diplomatic and military assertion of its territorial claims in the East and South China Seas has prompted almost every neighboring state to seek closer ties to the United States and a more sustained U.S. military presence. The U.S. response cannot be uniform and must take into account the unique nature of our different bilateral relationships in the region, as well as our partners' sensitivities vis-à-vis Beijing. However, the overall trend should be toward more jointness, integration, collaboration, and presence across the region.

- In Japan, this means development of joint strategies and coordinated requirements to implement the U.S. concept of Air Sea Battle and the parallel Japanese concept of a "dynamic defense."
- With Korea, the key will be implementing Seoul's defense reforms and establishing a more balanced set of relations among all the services (and not just the armies) as wartime operational command is transferred to Seoul in 2015.
- In Australia, polls show over half the public support hosting U.S. bases, and agreement has been reached for the regular deployment of up to 2,500 Marines in the north. Further opportunities exist in western Australia and at HMAS Stirling, where U.S. submarine operations were based in World War II.
- In Southeast Asia, the only fixed presence is in Singapore, where the United States will base littoral combat ships. Permanent bases, however, do not have to be the only model for regular presence, and countries like the Philippines are seeking alternative options to keep U.S. forces engaged in their immediate neighborhood.

Across the region, PACOM and the Defense Department should seek to reinforce patterns of cooperation in which the United States helps to provide maritime domain awareness that would enable navies, coast guards and air forces of all sizes to assist with search and rescue, antipiracy, and other multilateral operations.

The United States faces a range of budgetary, military, and political challenges to sustaining a forward presence in the Western Pacific, but a strategy for our bases and facilities in the Pacific that is embedded in a larger vision for building partnership capacity and greater jointness with our allies will give PACOM and the Defense Department considerably more flexibility as they proceed. This will require not only a whole-of-government approach within the administration, but also with critical committees and members of the Congress who are now more focused on questions of U.S. base realignment plans in Asia than they have been for decades. ■

Part II Assessing Major Regional Challenges



Pivot to Asia: Prepare for Unintended Consequences

Bonnie S. Glaser

Under the current administration, the pendulum in U.S. policy toward China has swung from attempting to cooperate with China on global problems to pushing back against Chinese assertiveness and challenges to international laws and norms. Getting tougher with Beijing was necessary, but it has also created unintended consequences that the next administration, either a second Obama team or a Republican lineup, will have to contend with.

The Obama administration's initial policy in 2009 raised fears in many Asian capitals of a G2 condominium that would make decisions over the heads of others. Those concerns were unwarranted and short lived. Beijing interpreted the U.S. approach as weakness, which, along with China's economic success and America's struggles, led to a year of Chinese hubris that manifested itself in a series of intimidating actions in China's neighborhood. Subsequent entreaties by regional states to counterbalance China increased U.S. attention to the Asia-Pacific region. Now, the U.S. Asia "pivot" has prompted Chinese anxiety about U.S. containment and heightened regional worries about intensified U.S.-China strategic competition.

In the run-up to the leadership transition that will take place at China's 18th Party Congress this fall, Beijing is inwardly focused and unlikely to act on its fears. However, 2013 could see a shift in Chinese foreign policy based on the new leadership's judgment that it must respond to a U.S. strategy that seeks to prevent China's reemergence as a great power.

Signs of a potential harsh reaction are already detectable. The U.S. Asia pivot has triggered an outpouring of anti-American sentiment in China that will increase pressure on China's incoming leadership to stand up to the United States. Nationalistic voices are calling for military countermeasures to the bolstering of America's military posture in the region and the new U.S. defense strategic guidelines. For example, an article published in China's *Global Times*, a jingoistic newspaper owned by the Communist Party mouthpiece *People's Daily*, called for China to strengthen its long-range strike capabilities.

Deng Xiaoping's guideline to keep a low profile in the international arena, designed more than two decades ago to cope with uncertainty produced by the collapse of the Soviet bloc, is increasingly seen by China's elite and public as irrelevant and even harmful to the task of defending Chinese ever-expanding "core interests." Some voices are calling for closer alignment with Moscow and promoting the BRICS grouping (Brazil, Russia, India, and China) as a new "pole" in the international arena to strengthen the emerging powers against the West.

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Xi Jinping, who will assume the helm as China's new leader later this year, will be under pressure from many domestic constituencies to more forcefully defend Chinese interests in the international arena. Seeking to quickly consolidate his power and enhance the legitimacy of the Communist Party, Xi and his newly installed Politburo Standing Committee colleagues may be more willing than their predecessors to test drive a policy that is more confrontational.

The U.S. response to a more muscular Chinese foreign and military policy, should it appear, will have to be carefully calibrated. Ignoring greater Chinese assertiveness would fuel the belief—already emerging in China and elsewhere—that the United States is in inexorable decline. History shows that when great powers falter, China does not hesitate to seize the opportunity to advance its interests, especially in the South China Sea. As American forces withdrew from Vietnam in the mid-1970s, the Chinese grabbed the Paracel Islands from Saigon. Similarly, when the Soviet Union withdrew from Vietnam's Cam Ranh Bay and the United States terminated its base agreement with the Philippines, China quietly occupied Mischief Reef to the dismay of Manila.

Yet a hostile and overbearing U.S. response would confirm Chinese suspicions that the United States seeks to contain its rise, which could cement the emergence of a U.S.-China Cold War. In addition, it would further alarm regional states who seek at all costs to avoid having to choose between the United States and China.

U.S. policy will need to combine firmness with subtlety. A strategy will need to be shaped that protects regional stability and reassures China's neighbors, but also avoids greater U.S.-China strategic competition and the classic security dilemma, wherein each side believes that growing capabilities reflect hostile intent and responds by producing that reality. Sustained attention and commitment of sufficient resources to the Asia-Pacific region will be key to assuaging the doubts of regional friends and allies about U.S. staying power. The United States also will need to maintain the military capabilities necessary to deter Chinese aggression.

At the same time, however, steps will be required to retain an overall cooperative relationship with China. To tamp down Chinese suspicions that the United States seeks to strategically encircle and contain it, anti-China rhetoric that has needlessly provoked Chinese ire and fears must be jettisoned. Assertions that the United States welcomes China's rise will have to be matched with deeds to prevent Beijing from abandoning its peaceful development strategy and engaging in a zero-sum rivalry with the United States. Greater efforts will need to be made to strengthen China's integration into the international system and draw China into cooperative security endeavors around the globe. As the Trans-Pacific Partnership becomes a reality, China should be encouraged to transform its economy so that it can qualify for membership.

Getting China right will be among the toughest challenges the next U.S. administration will face. Success will require a resurgent U.S. economy and adroitness in foreign policy that forestalls Chinese miscalculation. ■



Russia Drifts Eastward?

Andrew C. Kuchins

Surprise, Vladimir Putin is back as Russian president. For the first time in his now 12-year reign as Russia’s “national leader,” however, he has encountered dramatic public opposition to his rule. Putin will be inaugurated on May 7, 2012, with both his authority and legitimacy under greater question than ever before.

Putin’s campaign was noted for its heavy-handed anti-Americanism, especially his lengthy foreign policy platform essay entitled “Russia and a Changing World,” which appeared on February 27 in *Moskovskie Novosti*. In the essay, Putin asks, “Who undermines confidence?” His answer is the United States and NATO—especially the Americans who, “have become obsessed with the idea of becoming absolutely invulnerable.” In Putin’s worldview, the United States threatens Russia’s sovereignty. Anti-Americanism has been a staple of Russian political campaign rhetoric since the onset of the Putin era, but never like this.

Conventional wisdom suggests that Putin’s article, as well as other pronouncements—denouncing U.S. foreign policy goals and accusing the U.S. government of supporting the Russian opposition and even seeking regime change—were intended for a domestic audience during the presidential campaign. According to this view, we should expect continuity rather than change under Putin, since he was essentially in charge of Russian foreign policy the past few years, with Dmitri Medvedev acting as his “super foreign minister,” to quote Russian expert Fyodor Lukyanov.

Even in his February essay, Putin praised the New Start Treaty and Russia's accession to the World Trade Organization (WTO) and sounded almost like the U.S. State Department in calling for a broader and deeper economic foundation in U.S.-Russia relations. Once things settle down after the heat of the election season, when the new middle class protesters tire of street meetings and go back to their cafes and shopping excursions, it seems quite normal to expect that the pragmatic Putin will return to conduct business with his U.S. counterpart.

Maybe so, but it behooves us to consider circumstances that could drive Putin further from Washington and closer to Beijing. In fact, it is already happening to some extent. The "reset" is over, and we should consider it successful in that it resulted in a number of important agreements including New Start, tougher sanctions on Iran, new transit corridors to support troops in Afghanistan, and civilian nuclear cooperation in the form of a "123 Agreement."

Rather than "resetting" the relationship, however, one might view the achievements of Obama and Medvedev as simply normalizing the relationship after the complete breakdown during the Georgia war. The problem now, however, is not so much that Putin has changed or his return necessarily implies change in Russian foreign policy, but rather that the domestic situation and external circumstances have changed. The number of important issues where we find agreement with Moscow is overshadowed by those we fundamentally disagree on. And since regime preservation will trump any foreign policy goal, Putin will take whatever repressive measures he deems necessary and accept the damage this brings to ties with Washington and our European allies. Beijing would be unlikely to protest such measures.

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On foreign and security policy, negotiations on missile defense became deadlocked in the spring of 2011, and Putin has made this issue a focal point of his critique of the United States' supposed quest for strategic invulnerability. This issue is potentially the "game changer" or "game ender" in U.S.-Russia strategic relations, and unquestionably Beijing would be very disappointed to see Moscow and Washington achieve an agreement on deep cooperation.

Iran's nuclear program has been and continues to be Washington's first priority with Moscow, but bringing the Russians on board for another round of deeper sanctions may not be possible. China, meanwhile, has a deep and comprehensive relationship with Iran and may be just as opposed if not more so to stronger sanctions. Beijing and Moscow may

be frustrated with Tehran's intransigence, but they prefer the status quo to anything that might destabilize the Iranian regime and the region.

Syria carries far less strategic significance than missile defense or Iran for Moscow and even less for Beijing, but its emotional symbolism runs deep for the Obama administration as evidenced by Secretary of State Hillary Clinton's reference to the joint Russian-Chinese veto at the United Nations in February as "despicable."

The Syria impasse is also not endearing the Russians to the U.S. Congress, where Russia and Vladimir Putin have never been in good favor anyway. The problem now is that with Russia's WTO accession, Congress must vote to lift the Jackson-Vanik amendment and grant Russia permanent normal trade relations (PNTR); otherwise, we will be in non-application and U.S. companies would not benefit from the hard-won fruits of our own trade negotiators on lower tariff barriers and access to WTO trade adjudication dispute resolution institutions.

If we fail to grant Russia PNTR status, which is clearly in the U.S. national economic interest, this will also further confirm Putin's jaundiced view that the United States is simply not a trustworthy partner that can deliver on its promises. Deeply entrenched grievances about U.S. double standards when it comes to Russia will be further enflamed.

Although Putin rightly has some reservations about Russia being overleveraged to its rapidly rising neighbor to the east, he may well appreciate that when he strikes a deal with China, it is likely to stick. While the Chinese leadership has well-founded doubts about Putin's trustworthiness, they would welcome any benefits they may be

able to extract from a more isolated and weakened Russian leadership. Hardliners in the People's Liberation Army and elsewhere in the Chinese leadership would be especially gratified to see Moscow revert to a more confrontational posture with the Americans. A well-connected Chinese friend tells me that the "China-Russia reset" is a hot topic in Beijing.

Certainly there is no imminent Sino-Russian alliance emerging, and the scenario sketched out above is not Putin's preferred option. He supported the Medvedev-Obama reset to some extent because it brought greater balance to Russia's geostrategic position between Washington and Beijing and would be reluctant to abandon it. But just as the sudden emergence of a diverse anti-Putin protest movement at least temporarily knocked him off balance domestically, a set of external factors is testing his capacity to maintain balance in Russian foreign policy. In the Middle East, Moscow has deeply angered the Arab world and more closely aligned with Iran over Syria. And at the global level, Russia has drifted closer to Beijing and further from Washington.

If this drift continues, the new administration in January 2013, whether a second Obama term or the first for a Republican president, will have diminished capacity to pursue core U.S. security goals to prevent Iran from acquiring a nuclear weapons capability, to stabilize Afghanistan, to promote peace in the Middle East, among others. We may not like Putin and many aspects of his governance, but given the expected palette of foreign policy challenges in a year's time, we are likely to need Moscow's support even more in 2013 than the incoming Obama administration calculated when it embarked on the reset in 2009. ■

The End of Zero Problems? Turkey and Shifting Regional Dynamics

Bulent Aliriza and Stephen Flanagan

Turkey's ambitious foreign policy aimed at zero problems with its neighbors is under threat. The escalating crisis in Syria and related regional turbulence are complicating Turkey's important relationships with both Iran and Russia. This turmoil could strain the U.S.-Turkey alliance while presenting the next American administration with a new set of complex dynamics in the Middle East and Eurasia.

By choosing to visit Turkey three months into his presidency, Barack Obama underscored Turkey's importance to the United States. He reaffirmed the value of the strategic partnership formed during the Cold War and proposed to expand it through cooperation in forging a new relationship with the Middle East and wider Islamic world.

Obama and Turkish prime minister Recep Tayyip Erdoğan coordinated closely as the Arab Spring unfolded. They agreed on the value of the "Turkish Model" as Islamists previously shut out of the political system sought power through elections, and they watched as events in North Africa seemed to vindicate this approach. The conflict in Syria, however, now poses a fundamental challenge.

Rapprochement with Syria after decades of mutual hostility was the showcase of Turkey's zero problems policy. This is now history given Bashar al-Assad's refusal to consider a peaceful transfer of power. Iran and Russia are openly helping to sustain the Syrian dictator. This has presented Turkey with a complicated diplomatic equation given its overall foreign policy framework.

Even before the Syrian crisis, Ankara had difficulties maintaining a balance between the increasing Western pressure on Iran over its nuclear program and Turkey's zero problems policy. Turkey has maintained a close trade relationship with Iran parallel to its compliance with UN sanctions, as evidenced by the fact that 51 percent of its oil imports last year came from its eastern neighbor. Turkey views Iranian acquisition of nuclear weapons as inimical to its security but does not assess the nuclear program as an imminent threat. It also remains adamant that economic and diplomatic engagement offer the best route to convince the Iranian government to forswear that quest.

Turkey voted against UN Security Council sanctions on Iran in 2010 despite U.S. pressure, but in late 2011 accepted deployment of a U.S. ballistic missile early warning radar on its territory, justifying the move as a purely defensive measure consistent with NATO obligations and longstanding missile defense plans. Iran saw it differently, threatening to make the Turkish site a primary target if Iran is attacked by NATO. Nevertheless, if the United States joined in or completed Israeli military strikes against Iran's nuclear facilities, the ensuing regional turmoil and domestic outrage would surely force Erdoğan to review Turkey's alignment with U.S. Middle East policy.

At the same time, Ankara has been appalled by Tehran's fomenting of Sunni-Shi'a tensions in Iraq and Bahrain while it supports Assad's bloody



campaign. If Assad manages to survive politically with Iranian help, Ankara might find itself confronting a Shi'a axis extending from Tehran through Baghdad and Damascus to Hezbollah in Beirut determined to curb the exercise of Turkish influence in the Middle East.

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An increasing divergence of perspectives and agendas on Syria is also threatening to undermine Turkey-Russia relations, in spite of the overall positive trend in the relationship exemplified by Russia supplying 55 percent of Turkey's gas in 2011. Cooperation with Moscow allows Ankara to claim enhanced influence in Eurasia as part of its growing international clout. For its part, Moscow has sought

to leverage its ties to encourage Ankara to pursue a more independent stance in international politics, periodically challenging U.S. and European policies. The measured Turkish response to the August 2008 conflict in Georgia was a visible manifestation of Turkey balancing relations between its Western allies and Russia.

Despite the close personal relationship with Russian president Vladimir Putin, Erdoğan has publicly decried Moscow's support for Assad and continuing arms supplies. While Erdoğan has been embracing and supporting political change in the Middle East in line with Obama, Putin has essentially favored the status quo seeking to retain traditional clients, fearing that the growth of democratic and Islamist groups in that region could inspire the development of similar movements in Russia, the Caucasus, and Central Asia.

While Erdoğan will make every effort to prevent a deterioration of relations with Iran and Russia, it is clear that there is real danger for the first time in a decade of a fundamental split because of Syria. It remains to be seen whether the strong Turkish economic links with the two countries will be sufficient to help immunize the relationships from the corrosive effects of the Syrian bloodbath. At a wider level, the next U.S. administration will have to consider the implications for the U.S.-Turkey relationship of the shifting dynamics in the Turkey-Iran-Russia triangle as it contends with all the other changes in the Middle East and Eurasia. ■

Arab Changes Yet to Come

Jon B. Alterman

The pace of change in the Arab world has slowed since the heady days of January 2011. Then, it seemed incomprehensible that a month of protests could topple President Zine el-Abidine bin Ali of Tunisia after 23 years in power. The next month, it seemed even more incomprehensible that a mere 18 days of protests could force out President Hosni Mubarak of Egypt after 29 years of rule.

It seemed to many observers that the façade of stability had shattered and that fundamental change would follow swiftly. As major protests broke out in Yemen, Syria, Libya, and Bahrain, and smaller protests across the region, it was hard to imagine that fundamental change would not come in a matter of months.

And yet, the change that the Middle East has witnessed so far is still only incremental. Old systems have fallen, but new ones have been slow to take shape. The rising revolutionaries in the Middle East have not adopted wholly new orientations to issues of the economy, let alone to foreign policy and other security issues. In part, the enormity of internal security challenges and widespread political uncertainty has limited the capacity of systems to adapt to wholesale change. In part, too, the continuity of the security apparatus has contributed to a slower and less complete process of change.

Perhaps the most important explanation, however, is the absence of a compelling and radically different model. There is no Soviet Union to inspire the multitudes, China has essentially become capitalist, and the Iranian revolution has never excited imitators in the region. Al Qaeda decisively failed to win over the mainstream. While many wish for a greater role of Islam, it remains deeply unclear what such a role would look like. Saudi Arabia, too, has limited appeal as a model, and its close strategic ties to the United States suggest that Saudi-style change would not necessarily represent a fundamental challenge to U.S. interests.

Yet, there has been enough change in the Middle East in the last year that one can expect some new models of governance and orientation to arise, and should they spread, they could have a profound effect on U.S. interests. In particular, political

The United States is tremendously invested in the success of pro-Western monarchies, and a change in governance could have profound effects on U.S. strategic interests.



turmoil has hit the so-called revolutionary republics in the Arab world much harder than the monarchies, and we have not seen monarchies tumble as they did in the 1950s and 1960s. But the United States is tremendously invested in the success of pro-Western monarchies, and a change in governance could have profound effects on U.S. strategic interests.

One such monarchy is Morocco, which many in the United States see as a stable, pro-Western state with strong ties to Europe and deepening ties to the United States. Morocco's strategic importance to the United States began in the Cold War, but more recently Morocco has drawn attention as an example of how state-led democratization can promote moderation and stability in the Middle East. Last fall's elections brought into power the Justice and Development Party, which had led the Islamist opposition for more than a decade. To hear Moroccans tell it, a consistent process of engaging with the Islamist forces, as well as other opposition groups inside and outside of the country, have given Moroccan politics more resilience.

The Moroccan path is one that the United States would like others to follow. Yet, serious protests have broken out in Morocco, and protesters may come to see efforts at conciliation as a sign of weakness. Complaints about corruption have lurked just under the surface in Morocco, and if investigations of malfeasance elsewhere in the region create lurid headlines and uncover troves of cash, they could come to the fore again. The Moroccan government is confident it can continue to manage public opinion through encouraging broad debate while defending certain red lines. Should it misjudge that process, or if regional events create a genuinely new environment, the consequences could be serious.

Even more fundamental to U.S. strategic thinking is Jordan, a key ally not only in diplomacy, but also in

security and intelligence. The Hashemite Monarchy has been a partner in all manner of regional operations, and it provides a reliable and secure border with Israel. And yet, Jordan is buffeted by a wide array of forces. It continues to host large numbers of refugees—not only the traditional Palestinian community, which constitutes a majority of the population, but tens of thousands of Iraqis, thousands of Libyans, and more than 80,000 Syrians. As turmoil in these refugees' home countries increases, as the economy groans under the weight of slow global growth, and as criticism rises that those around the palace are growing far richer while most Jordanians grow poorer, governance becomes a greater challenge. The government has taken steps to liberalize governance, but doing so could strain the government's alliance with its traditional supporters and empower Islamists who are tied to the dispossessed among the Palestinian community.

Should there be a sharp change in Jordan, its most profound effect would not be on U.S. operations in the Middle East. Rather, its most profound effect would be on Israel, which would feel encircled and acutely threatened by the change. Israel and Jordan long ago reached a *modus vivendi*, and a potentially hostile Jordan would fundamentally remake Israel's strategic calculus. In such an instance, Israel would feel more vulnerable on the West Bank and would likely feel a need to reassert its deterrent vis-à-vis regional actors.

The deepest challenge to U.S. interests would come from a change in Saudi Arabia. For all of the well-documented differences between the two countries, the United States and Saudi Arabia have fundamental understandings on a wide range of strategic issues, from regional security to energy markets. Some argue that Saudi Arabia is simply serving its national interest, and any future Saudi leadership would follow the same path regardless of its composition. Yet, in a dramatically new political environment, a new government might see different ways to optimize its security, change its attitude toward Iran, and have different preferences on energy policy. Further, Saudi Arabia's deep networks throughout the Muslim world mean a change in the kingdom could have profound and far-reaching effects in ways that would be hard to see initially.

There is no reason to predict that any of these countries are likely to be unstable in the next five years. And yet, their stability is no certainty, either. We still don't understand the course that political change will take in the Arab world, but we should clearly understand that change has only begun. New paradigms are likely to emerge, and they will have their own inspirational power regardless of whether they are successes or failures. They will affect us nonetheless. ■

Beware the Backburner: The Risk of a Neglected Europe

Heather A. Conley

Washington's pivot toward Asia and its frustration over Europe's mishandling of its debt crisis have left European nations wondering if this means they now get the cold shoulder. The risk many foresee is that the United States could take its greatest strategic and ideational partner for granted, waking up one day in the not-too-distant future to find a Europe unwilling or unable to take political or security risks in support of U.S. objectives.

Europe's reaction to the European sovereign debt crisis has challenged the liberal foundation on which postwar Europe was built.

There is a more dire future possibility, however, that involves a Europe drifting away from its core values and increasingly lacking in political and societal cohesion. The next U.S. administration will need to address this early in its term and become much more engaged and more strategic in European political affairs, not simply advising on the size of its economic firewall.

Europe's reaction to its most significant existential threat since World War II—the European sovereign debt crisis—has challenged the liberal foundation on which postwar Europe was built. The economic challenges are deep and profound:

- Greece is in its fifth year of recession. Unemployment is at 20 percent, and its collective economic contraction is 13.7 percent since 2007;
- Unemployment in Spain is at a European high of 23 percent, with youth unemployment a staggering 49.9 percent;



- Today at least 7 out of the 17 Euro zone members are in recession. The 2012 growth estimate is negative 0.3 percent. Industrial output has plummeted in 15 Euro zone nations with the most distressed southern economies being the hardest hit. Output is down by 12.4 percent in Greece and 8.9 percent in Portugal;
- Despite injecting €1.3 trillion of liquidity into the European banking system, borrowing costs continue to climb in Portugal and Spain.

Austerity and a lack of economic growth, combined with growing xenophobic and anti-immigrant sentiment, have started to challenge certain unifying European ideals that have thrived for more than 60 years since fascism's demise. The idea that discrimination is to be contested, while tolerance and multiculturalism are to be advanced, has been openly questioned by radical political parties for decades, but typically they have been largely ignored. These parties—on both the far left and the far right—are now capitalizing on a growing societal disenfranchisement as they express their populist, nationalistic, and extremist views. These views have begun to slowly creep into the mainstream.

In an effort to pull nationalistic French voters away from Marine Le Pen's National Front party (recent polls have Le Pen in third place), French president Nicholas Sarkozy recently announced that France has "too many foreigners on our territory." Le Pen believes that France's approximately 5 million foreign immigrants, predominantly Muslim, have caused a disintegration of society and contributed to a "loss of French identity." Her party is fiercely anti-European and anti-globalization and has called for France to leave the euro, reintroduce customs borders, and nationalize banks. How can Sarkozy play to the right of the French far-right without becoming the far-right himself?

No part of Europe has been untouched by this phenomenon. Although political parties are geographically, historically, and culturally diverse, there are certain trends that remain consistent. In particular, extremist parties are energizing populations at a time when traditional political parties have been delegitimized by the economic crisis and are perceived as out of touch with "real" problems. Adroitly, these parties wrap their message in populism and advance into the heart of society through the Internet and social media, an effort that has been referred to as the "de-demonization" process.

The Hungarian far-right party Jobbik, an anti-Semitic and xenophobic party that has been linked to anti-Roma violence, has risen in popularity in Hungary to 14 percent, compared to the Socialists' 13 percent, and is drawing support away from a government that is already pursuing antidemocratic policies. Gert Wilders of the Freedom Party (the third-largest party in the Netherlands) casts himself as the champions of the "everyman" and against "outsiders." For his part, Wilders recently launched a website urging Dutch citizens to register complaints against immigrant workers from EU member states such as Poland with the question, "Are immigrants from Central and Eastern countries bothering you? We'd like to hear from you." None of this is new, but the messages tap into deep wells of economic resentment. The dismal economic situation provides fertile ground for recruitment.

Europe in 2012 is unlikely to revert to Europe of the 1930s. But Europe today is under significant internal stress, and the United States has not shown it the attention it requires. This is understandable considering the pressing front-burner demands of the past three years. But Washington cannot diminish its vital leadership role in Europe at this critical moment. The next administration—no matter its stripe—must put Europe back on the front burner. ■

Part III **Anticipating Instability** and Recognizing Opportunity





The 3 A.M. Phone Call: Pyongyang

Victor D. Cha

It is often said that American presidencies are remembered as much for how they deal with the unexpected as with the expected. That is, incoming presidents have agendas that they had stumped on throughout the campaign and come into office only to find their attention swept away by unforeseen events that would later define their presidencies. For George W. Bush, this was September 11. For Barack Obama, it was arguably the financial meltdown. For the next administration, this potentially could be a crisis in North Korea.

North Korea meets the definition of an obscure issue for a new administration. Not much is known about the regime. Pyongyang gets uppity every once in a while, but usually some diplomacy and a small amount of food or energy is enough to satiate the impoverished regime. Its nuclear weapons programs remain the main concern, but any new president, with a long to-do list, is unlikely to seek resolution of this problem as a top priority. Yet, before the next president finishes his term, North Korea may explode or implode in a way that will be impossible to ignore.

Two potential dynamics are at work, both related to the sudden death of Kim Jong-il in December 2011 and the fragile handover of power to his 20-something son, Kim Jong-un. This youngest son of the Kim dynasty was being groomed to take over but had barely 20 months to prepare before his father's heart attack. (By comparison, his father had 20 years to prepare to take over after his father's death in July 1994.) Suddenly thrust onto center stage in a dark

kingdom that has only known rule by a single larger-than-life leader, the junior Kim is doing all he can to puff up his credentials. He has been seen standing somewhat reluctantly before thousands of allegiance-pledging citizens. Like his father and grandfather, he has been doing on-site inspections with everyone from farmers to soldiers, all in an effort to conjure up the same images of the first great leader of North Korea, Kim Il-sung. Propaganda makers have drawn constant comparisons between the grandson and the grandfather, and the junior Kim has been made physically to look like the Great Leader, donning the same hairstyle as Kim Il-sung and the 1960s-era Mao communist suits.

The danger for the next American president is that this new leader may undertake dangerous actions in trying to close his domestic credibility gap. Of course, belligerence and unpredictability are North Korea's codes of conduct, but this young fellow may miscalculate and push things too far. While there is less likelihood that he might act out against the United States to build his bona fides, he may take aggressive actions against South Korea. The danger here is that, should another conservative government win power in the December 2012 elections, South Korea is not going to remain passive in response to another North Korean provocation. After the North Korean sinking of a South Korean naval vessel in March 2010 and the artillery shelling of a South Korean island, Seoul has made clear to all that, like a kid sucker-punched in the schoolyard, it is waiting for an opportunity to strike back. This threat concerned the Chinese so much that in 2011 Beijing contacted Kim Jong-il to warn North Korea not to take actions that could escalate into a shooting war. The problem today is that we do not know if the hot-headed and not yet 30-year-old leader reads signals the same way as his father. Should he miscalculate and carry out another provocation as a way to extort food and energy from his richer

neighbor, the next American president could see things heat up on the peninsula extremely quickly and extremely lethally.

The second potential danger is that the junior Kim simply may not be able to hold the system together. Some see the relatively smooth transition to Kim Jong-un since the death of the father and conclude that a stable transition is underway. These same analysts point to the fact that North Korea survived after Kim Il-sung's death in 1994. The problem is that 2012 is not 1994. Not only has Kim Jong-un had less time to prepare, but North Korean society is fundamentally different from what it was in 1994. Out of the famine of the 1990s grew markets—both black markets and official ones—that the North Korean people needed to survive when the government's rationing system broke down without any food to supply. This market mentality created an independence of mind among the North Korean people that has now been growing for nearly 20 years. But at the same time that society is becoming more independent minded, the politics of the country is becoming more hardline. In order to establish the new leader, the regime is resurrecting a harder line ideology to maintain political control. This is an unsustainable situation in the long term.

Like the Arab Spring, we do not know what incident will be the trigger. Could it be a similar self-immolation of a shopkeeper in a market? It was only after the turmoil in Egypt and Tunisia that analysts concluded that the conditions for upheaval were apparent. With the death of the all-important leader in December 2011, the economic depravity, the hardening of politics, and the loosening of society, all the conditions for a crumbling of the family-based, cult-of-personality leadership system that has ruled the country for the past 60 years are evident.

That 3 a.m. phone call, which every president dreads, could be Pyongyang calling. ■

Before the next president finishes his term, North Korea may explode or implode in a way that is impossible to ignore.

The Americas: Risks and Rewards of Decaying Authoritarianism

Stephen Johnson

Pushing regime change in Iraq and Afghanistan cost the United States trillions of dollars and involved the sacrifices of many nations. Regime change is starting to take place on its own in the Western Hemisphere without the loss of thousands of lives or draining the U.S. treasury. However, a good outcome is anything but certain, and the wreckage could prove just as damaging to America's short-term national security interests as events in the Middle East.

The countries in question are Cuba and Venezuela, and the presumption of risk in regime change seems counterintuitive. After all, both governments have been hostile to the United States and Western-style democracy as long as their current leaders have been in power. Many Americans remember when Cuban president Fidel Castro invited the Soviet Union to install nuclear-tipped, medium-range ballistic missiles on his island. In the last decade, Venezuela's Hugo Chávez converted his country into a welcome mat for nuclear wannabe Iran to make in-roads in the hemisphere.

The demise of these projects is no cause for sorrow. However, dangers exist in each case. Cuba lies just 90 miles off of Florida's shores. Former president Fidel Castro may be 85 and frail, but his hard-line political influence is enormous. As long as he lives, reforms must be gradual. The more moderate brother Raúl Castro, 80, shows signs of wanting to accelerate market and political reforms, but seems reluctant while his brother is *compos mentis*. As long as Raúl outlives Fidel, a transition of sorts is more or less assured. If Raúl departs first, a power grab might ensue.

The result could be an internal conflict at a time when the state is nearly bankrupt, trying to transition its captive labor force from dependency on government welfare—where, as the old joke goes, Cubans pretend to work and the state pretends to pay them—to self-employment and private-public enterprises. Discontent is not likely to arise in Cuba's bucolic countryside, but in Havana, where millions of younger Cubans feel little connection to the faded glory of the Castro regime.

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Two potential problems leap out of this scenario. The most immediate would be a mass migration when a floundering state would be powerless to stop it. In 1980, the Mariel Boatlift sent more than 125,000 Cubans to U.S. shores when Fidel decided to rid the island of malcontents and criminals. The Boatlift ended when the Carter administration pressed the Castros to end further departures. If the regime loses control, migration could be a larger and more dangerous event.

The other problem is losing Cuba's cooperation on counternarcotics if the situation becomes chaotic. Yes, believe it or not, the Cuban government and the U.S. Coast Guard cooperate in counternarcotics matters. For now, Cuba does not have a huge drug trafficking problem because the regime takes strong measures to stop it. A sudden breakdown could complicate transnational crime difficulties in the Caribbean at a time when trafficking is epidemic.

A transition in Venezuela could have a more widespread impact. As President Hugo Chávez reportedly convalesces from a second cancer surgery, doubts grow concerning whether he will be able to make it through his current term, much less another after elections this coming October. First, his recent elevation of generals with alleged criminal histories to senior government positions suggests a military takeover in his absence and perhaps a civil conflict should armed Chávez loyalists, aided by factions in the military, go after opponents. Venezuela's new defense minister, General Henry Rangel Silva—a U.S.-designated drug kingpin—has said that an opposition government, if elected, would be unacceptable.

Second, Venezuela is more lawless than ever, despite a so-called police reform in 2009 to put all police under Chávez's thumb. It now has the fourth-highest murder rate in the world and is South America's transit hub for cocaine

going to North America, Europe, and Africa. Hence, narcotics trafficking and other criminal enterprises could take advantage of even less effective policing during an internal conflict, affecting Colombia, Brazil, Guyana, and nearby Caribbean states.

Finally, Venezuela's official finances are already hard to track since Chávez's domestic political projects and foreign aid initiatives are mostly off the books in the form of oil shipments and suitcases stuffed with cash. Without him, Venezuela could be in tough economic straits until the money mess gets sorted out. In turn, aid-dependent allies such as Bolivia, Nicaragua, and some Caribbean countries could suffer mightily without current subsidies. Cuba, heavily dependent on Venezuelan petroleum—which it resells—would be hardest hit.

With resources stretched to the other side of the world, the United States does not need two new centers of conflict in its own hemisphere. That does not mean Washington should throw a lifeline to these authoritarian regimes. Rather, U.S. policymakers should anticipate the potential dangers presented by their decay. Foremost in minimizing such threats is encouraging greater adherence to democratic principles. This is not easy for the U.S. government to do in Latin America, so often remembered for its interventions.

Fortunately, the United States does not need to do all the heavy lifting. Our democratic neighbors can press Cuban president Raúl Castro to accelerate reforms while he has time. And they can signal Venezuela's military and political parties that any deviation from free and fair elections and respect for deeper democratic principles will mean certain isolation. But this won't happen by wishing it. Our State Department needs to start the quiet conversations now. ■

Will Food Prices Drive Instability?

Johanna Nesseth Tuttle and Kristin Wedding



Over the past five years the world has faced serious volatility in food prices and supplies, which has sparked instability around the world. Some contend that events leading to the 2011 Arab Spring were in part triggered by food insecurity and pervasive hunger among the populations of Libya, Egypt, Tunisia, Yemen, and Syria. In 2013, will we continue to see challenges to national governance and security arising from food-related instability?

After reaching historic highs in 2011, food prices have stabilized and are even expected to slightly drop in the coming year as farmers in the largest producing countries respond by ramping up production. But uncertainty will persist, especially from unexpected weather events and disasters. Particularly in weak states—with poor governance, infrastructure, and a lack of capacity to respond—droughts, flooding, and other humanitarian emergencies will exacerbate latent food security issues. Although food insecurity will not necessarily be the direct cause of conflict, it could play a significant role in sparking violence and unrest.

Several states that impact global stability, including North Korea, Iran, and Somalia, are currently facing substantial problems as a result of food insecurity and hunger. These challenges are expected to continue in 2013, barring drastic changes in governance, global production, and access to food. Ongoing food insecurity in these states will be a persistent obstacle to global stability.

NORTH KOREA

North Korea has experienced years of devastating famine, malnutrition, and widespread food insecurity. Crop yields suffered following major flooding in 2011, leaving large gaps in meeting demand for cereal and rice. Daily food rationing by the North Korean government was

reduced to just 500 calories per day—one-third of normal consumption. For a people already struggling with hunger, this was a terrible blow. Malnourishment, especially among children, is spiking at staggering rates.

In the mid-1990s, a massive famine swept through North Korea following major flooding, destroying crops and food reserves. Almost 1 million people starved to death. Since then, the country has experienced protracted food shortages. Still, there was no mass rebellion or uprising.

The situation has changed. First, the devaluation of the North Korean currency in 2009 left people penniless. Families that had managed to hold onto some small savings that would help them to cope with problems were wiped out.

Second and most important, the regime change in North Korea leaves a serious question about its ability to manage the food situation. The United States cut off food assistance to North Korea in 2009 after stalled negotiations on North Korea's nuclear program. However, on February 29, 2012, Pyongyang agreed to suspend its uranium-enrichment program, halt nuclear weapons testing, and readmit international inspectors. In exchange, the United States will resume assistance by delivering 240,000 metric tons of much-needed

food aid. Kim Jong-un's willingness to negotiate on the nuclear issue for restored food aid from the United States may show that the political leadership around the young leader understands that feeding the starving population is paramount to retaining power. However, given the regime's history of pulling back from previous agreements, there is still a high degree of uncertainty over the level of food security and the general stability of North Korea.

IRAN

Iran is another country that could face increased civil unrest as a result of food price instability. About one-fifth of Iran's population depends on agriculture for its livelihood, but the country is becoming increasingly reliant on food imports. In the past 10 years, agricultural imports have quadrupled. Prices for staple foods have risen by 40 percent in Iran and may continue to increase, especially if the value of the rial continues to drop. Recent sanctions imposed by the United States on financial institutions that work with Iran's central bank could make it more difficult for Iran to import food. Food producers may be wary about selling to Iran out of fear that the country will not be able to afford to buy imports because of reduced oil revenues and currency devaluation. Recently there have been reports that Iran has defaulted on payments for staple imports like rice.

Furthermore, in response to these sanctions many Iranian households are exchanging their savings from rial to dollars, spurring further currency deflation and deteriorating purchasing power for basic food commodities. Given the turmoil surrounding Iran, and the tremendous change in governments and social movement in the region, there will likely be increasing pressure on the government to combat increasing food prices to promote stability.

This may prove difficult in light of efforts over the past few years by the Iranian government to reduce domestic food subsidies to consumers.

SOMALIA

For much of the past two years, severe drought and persistent famine have plagued Somalia. The country is now largely reliant on food aid and imports, despite having the capacity to be agriculturally productive. Many farmers have been driven off their lands. Almost 1 million Somali refugees have fled to neighboring Kenya and Ethiopia. The camps in Dadaab, Kenya, are host to approximately half of the refugees. These conditions are exacerbated by increased conflict between al-Shabaab and the African Union Mission in Somalia (AMISOM), as well

as with Kenyan and Ethiopian forces. Further complicating the situation, al-Shabbab is denying access to many humanitarian groups offering food assistance, and the United States is limiting food aid and not allowing U.S. banks to transmit remittances from Somalis in the United States to

Somalia, for fear that the assistance could be diverted to support al-Shabaab insurgents. The unstable refugee situation is worsened by concerns that al-Shabaab is using the

exodus of Somalis as a cover to infiltrate Kenya. Kenyan authorities are trying to identify the al-Shabaab members, which has escalated violence in the camps. The result is that refugees are caught in the middle and abused by both sides, and threats by al-Shabaab have contributed to a new level of insecurity in Kenya.

In these countries, as well as many others around the world, emergency assistance will likely be required for much of 2013. It is impossible to predict where food price and supply volatility will lead to insecurity. However, it is clear that in many countries underlying conditions exist where a food shortage or price spike could easily spark significant unrest. ■

In many countries, underlying conditions exist where a food shortage or price spike could easily spark significant unrest.

The Evolving Economic Picture in Asia

A Conversation with Ernest Z. Bower, Meredith Broadbent, and Matthew P. Goodman

The following conversation derives from an on-line chat between Global Forecast editors and three CSIS scholars on opportunities inherent in the changing economic landscape in Asia.

When the next administration assesses the global economic picture on Day 1, what do you expect it will look like?

ERNEST Z. BOWER: Europe will look flat at best. Domestic growth will remain substandard. The president will know that new jobs will depend on a fast-growing Asia driving the global economy.

MATTHEW P. GOODMAN: I agree. That is why successive administrations have looked to Asia for growth and trade. It's why President Obama spent so much time on his trip last November. And it's why TPP is an integral part of the administration's "pivot" or "rebalancing" toward Asia.

What about TPP—the Trans-Pacific Partnership—the trade agreement the current administration is trying to forge with eight Southeast Asian and South American states? Where are the negotiations headed?

MEREDITH BROADBENT: I think it will take 9 to 12 months for real progress to be made. Much depends on whether Congress passes an

extension of trade promotion authority. We need to set out clear negotiating objectives in sensitive areas such as intellectual property.

GOODMAN: This is not easy, but it is eventually going to happen. Look at the queue of countries outside the door trying to get into TPP. That tells you something.

So you see TPP expanding from the original 9?

BOWER: I do. Today, TPP includes only 4 of 10 ASEAN countries. You can't divide ASEAN or you risk undermining your best shot at a peaceful and prosperous Asia-Pacific region. So the rest will have to eventually be drawn in. The Philippines and Thailand are considering membership. Indonesia is the big fish—its economy is one-third of ASEAN's—but it has announced it is not interested for now. The others in ASEAN aren't ready.

What about the big economies to the North?

BOWER: Japan knows it should join TPP, and I believe it will. But that will take some time. Japan's business sector is lobbying for it, but there will need to be some exogenous stimulus like Korea joining.

GOODMAN: If Japan comes aboard, it would transform TPP economically and strategically. The pull on China would increase greatly.



The administration has said that TPP is not directed against China. Does Beijing believe this? Could you imagine a future where the Chinese sign on?

GOODMAN: Many Chinese commentators on TPP have it backwards. The strategy is not to exclude China, but to draw China further into the rules-based trading system.

BROADBENT: Saying TPP is directed against China misses the essential dynamic of trade negotiations. They are aimed at opening markets, not at hurting a single nation. China already has a free trade agreement with ASEAN, albeit less rigorous. Beijing is seeking to expand it to Japan and South Korea. These two export markets will have a lot to say over what economic picture in Asia eventually emerges.

BOWER: I think China will eventually become part of TPP. Meredith is right that China wants to lead the effort to integrate Asia's economies through ASEAN + 3. Beijing is not asking for binding commitments with labor and environmental standards, and some Southeast Asian nations find this more palatable. But it also sets a low trajectory and puts Asian markets out of step with Europe and the United States. In the long run, Asian nations interested in making the jump out of the middle-income trap will move toward TPP, and China will realize TPP presents more of an opportunity than a threat.

It sounds like TPP could serve as a launching pad to reinvigorate a global trade regime that has been essentially moribund since the Doha Round stalled.

BROADBENT: If TPP could eventually expand and welcome countries beyond APEC, this could serve as a counterweight to what I see as the natural tendency for countries during the next few years to settle into closed regional trading blocs.

Is this your vision for a “grand strategy” for trade?

BROADBENT: I do think there is a group of like-minded countries in the World Trade Organization that would express interest in joining TPP if it were open to them. First though we need a broader trade strategy that lays out big goals. Let’s look at India and Brazil. Opening either of these countries will prove difficult, but incremental progress is possible. In the short term, we need to move ahead with the bilateral investment treaty with Delhi.

What should the next administration’s goals be for shaping the international economic picture, particularly in Asia?

GOODMAN: Stronger domestic growth in Asia and further trade and investment integration. This is critical to expanding U.S. export opportunities. It would help our domestic economy and reinforce our position as an Asia-Pacific power.

BOWER: There is tremendous opportunity for the United States in Asia today. China’s rise provides huge growth potential for the region, but it also raises existential questions. So long as America continues to be seen as a benevolent partner without territorial ambitions and with real staying power, countries in the region will look to our leadership. U.S. companies can prosper in this environment, but they will require the encouragement, protections, and assurances of trade agreements. TPP is a start, but it should not be seen as the finish line. ■

U.S. companies can prosper in Asia, but they will require the encouragement, protections, and assurances of trade agreements.

India and Pakistan: Practical Steps, Transformational Benefits

Karl F. Inderfurth and S. Amer Latif

While Washington's focus on South Asia has recently been consumed by the impending U.S. withdrawal from Afghanistan and the deteriorating situation in Pakistan, something else has been taking place—quietly—between India and Pakistan over the last year that may culminate in an unexpected welcome surprise for the incoming U.S. administration in 2013. If events continue on their present course, India and Pakistan could establish a trade relationship that could usher in a new era of cooperation between the long-time, nuclear-armed rivals.

Since last March, the Indian and Pakistani foreign policy establishments have met numerous times to discuss issues ranging from counterterrorism to counternarcotics and border disputes. However, the issue that holds the most promise for transforming the dynamic between these two countries is trade.

Trade represents an area that can be separated from contentious bilateral political issues. It has the potential to engage and energize the public and private sectors of both countries. Unfortunately, bilateral trade between India and Pakistan has historically been anemic, totaling only \$2.7 billion during 2010–2011—a paltry sum for two countries that could comprise one of the world's largest trading blocs.

Over the past year, however, some glimmers of hope have emerged. The Commerce Ministries from both sides have engaged in an intensified dialogue that culminated in Pakistan's announcement in November that it was ready to grant India most-favored nation (MFN) trading status. India granted Pakistan MFN status in 1996.

This landmark decision was followed by a historic visit this February by Indian commerce minister Anand Sharma, who led a delegation of over 100 Indian business

India and Pakistan could establish a trade relationship that could usher in a new era of cooperation between the long-time, nuclear-armed rivals.

leaders to Pakistan to discuss ways to deepen trade relations, the first such visit by an Indian official in this capacity since the partition of India and Pakistan in 1947.

The results of that visit marked another important step in normalizing trade relations between the two countries. Three

agreements were signed, including on customs cooperation and setting up a mechanism to address grievances. These agreements were followed by Pakistan's announcement that it will switch to a so-called negative list-based approach, which prohibits trade on a small number of items while allowing all other commodities to be traded. Islamabad added that it would phase out this negative list by December, which would finalize Pakistan's MFN decision.

In the meantime, the two sides are working on measures to ease visa rules for business travel, open an additional customs post at the Wagah border, and allow bank branches to operate in each other's countries. All told, Sharma and his Pakistani counterpart, Makhdoom Amin Fahim, say they want to double bilateral trade to \$6 billion by 2014. One outside study estimates that, with tariff and nontariff obstacles removed, the volume of trade could reach \$10 billion by 2015.

If these present trends continue, what could this mean for India and Pakistan and the South Asia region? The short answer: they could be transformational.

First, these positive developments need to be viewed in the wider context of South Asia's current political situation. As the United States continues to withdraw its troops from Afghanistan in 2013, the Indo-Pak rivalry there has the potential to intensify and undermine any



fragile stability that might exist. Trade could be a mechanism for mitigating tensions between New Delhi and Islamabad.

There is already a transit trade agreement between Afghanistan and Pakistan. Afghanistan and India also have a strategic partnership in which both capitals have called for regional economic cooperation where Afghanistan emerges as a trade hub between Central and South Asia. The missing piece of this vision is trade between India and Pakistan. If these two countries were to open their borders, it could unleash a new "silk road" across South Asia into Central Asia, as Secretary of State Hillary Clinton called for in her speech last July in Chennai, India.

Second, these dynamics, combined with New Delhi's improving ties with Bangladesh and existing ties with Sri Lanka, could have a profound impact on South Asia's prospects for intraregional trade, which has been abysmal for decades. In 2008, South Asia had the lowest percentage of intraregional trade compared with any other region in the world, a paltry 4.8 percent. By comparison, the percentage for India's neighbors to the east, the Association of Southeast Asian Nations (ASEAN), was 26 percent. If India and Pakistan opened their trade relationship, it could also improve the economies within South Asia, as Pakistan could export and import more easily to Bangladesh, Bhutan, and Sri Lanka via India.

Expanded trade across South Asia could also lead to possible cooperation in other key areas such as power generation. In February, Minister Sharma proposed a \$300 billion power grid in South Asia that would enable the region to share in electricity. Currently, South Asia is the least integrated region in the world when it comes to power generation. A transnational power grid across South Asia would not only promote energy security in the region, but also result in substantial cost savings.

To date, news coverage in both India and Pakistan has been positive with respect to these initial steps toward trade and energy cooperation between the two countries. Editorial comment in leading newspapers has called attention not only to the positive value of these steps, but where they might lead. Pakistan's *Dawn* and the *Times of India* have both argued for normalizing trade as a way to move closer toward political accommodation. The *Times* put it this way in a February 15 editorial: "Delinking trade and business from politics is crucial to keeping the lines of dialogue open and the hope of peace burning. It would also pave the way for tackling all outstanding issues, including Kashmir."

Finally, though, a cautionary note. These ongoing efforts are still in their incipient stages. While trade can be separated from politics, they are never completely divorced. Another major political or security crisis between India and Pakistan could bring these efforts to a halt, as they have before. The key challenge for both sides will be to find a way, and the political will, to insulate their progress on economic issues from the political and security challenges they will almost certainly face in the future. If they are able to do so, the practical steps now underway could lead to transformational benefits for both countries and the entire South Asia region. That is a development the next U.S. administration should find not only a welcome surprise, but one that it can encourage and support in promoting a more stable and prosperous region. ■

(These views are the authors' own and do not reflect an official U.S. government position.)





Shifting the Narrative on Africa: Playing to the Continent's Upside

Jennifer G. Cooke

Alongside the crises that preoccupy U.S. Africa policymakers and the gloomy headlines that continue to dominate U.S. media coverage on the continent, a far more hopeful story is playing out. Sub-Saharan African economies weathered the global economic downturn of 2008–2009 relatively unscathed and are expected to post an average growth rate of close to 6 percent in 2012—exceeding the projected average of any other world region.

High commodity prices and new sources of energy and mining production—including in Ghana, Mozambique, Liberia, and Sierra Leone—account for much of this surge. But improved macroeconomic management, significant expansion in construction, telecommunications, and financial services, a growing consumer base and middle class, and a broader portfolio of trade and investment partners give greater confidence that this growth can be sustained in the face of future volatility. African states and businesses are finding innovative ways to cut through long-standing barriers to growth and development.

Mobile banking in Kenya, for example, has had a transformative effect, raising access to financial services from 5 percent of the population in 2006 to 70 percent in 2011, according to analysts at South Africa's largest bank. In Zambia, the introduction of digitized court recording and case management in the judiciary has eliminated a massive backlog of unresolved commercial disputes. Other countries are using technology to speed customs procedures, improve tax administration, manage supply and distribution networks, and regulate land tenure.

Beyond the growth figures, there is evidence emerging from the IMF that, more so than in previous commodity booms, economic growth is translating into improved social indicators—particularly in health and primary education—and into overall poverty reduction. The power of social media and global interconnectivity has enabled African citizens to mobilize more efficiently and effectively around demands for service delivery, transparency, and accountability. And in some cases, at least, African leaders are taking note.

In Nigeria, nation-wide protests against the abrupt elimination of domestic fuel subsidies drove not only a compromise on subsidy reduction, but galvanized a far-reaching government investigation to root out corruption in the institutions regulating the petroleum sector. How successful and sustained this effort will be

has yet to be seen, but it is potentially an important step in chipping away at the country's rentier economy and the force of the national popular mobilization may impel the government to follow through.

African opportunities have not been lost on the world's emerging economies. China's commercial expansion into Africa has been well documented, but India and Brazil are also building linkages apace, as are a host of newer players including Malaysia, Indonesia, Turkey, South Korea, and even Iran. The success of these investors has begun to pique the interest and competitive spirit of U.S. businesses, which, outside of the energy sector, have traditionally tended to view the continent as a monolith of conflict, corruption, and despair.

As these U.S. companies make tentative forays into African markets, however, they frequently voice concern that the playing field is not altogether level and that the U.S. government does not provide the robust support that their Chinese, Indian, and Brazilian counterparts receive from their governments. Company executives point to the need for more proactive, agile, and swift support from the U.S. Export-Import Bank and the Overseas Private Investment Corporation (OPIC). The U.S. Department of Commerce, they note, is reducing, rather than expanding its presence in Africa.

Greater support for U.S. companies considering investment in Africa should be coupled with efforts to more directly target barriers to investment in African partners. The Millennium Challenge Corporation (MCC), established in 2004, is a bold and pioneering U.S. initiative intended to unlock economic potential in partner countries and at the same time reward good governance and service delivery. MCC compacts aim to bolster the efforts of countries that have an established track record of positive performance. As such, they are large and ambitious, and longer-term in scope. In countries that are still far from eligibility, there may be opportunities for small-scale initiatives that focus on more narrow investment bottlenecks identified by governments or local entrepreneurs, where technical assistance, technology, or training can have relatively quick impact.

African states and businesses are finding innovative ways to cut through long-standing barriers to growth and development.

The next administration has an opportunity to build a new narrative around African opportunities. That narrative will not eclipse the many challenges and crises that the continent continues to confront, nor need it detract from the role that the United States plays in promoting conflict resolution, humanitarian assistance, and

human security. But the administration, in word and deed, can help convey to the U.S. private sector, the U.S. public, and the U.S. Congress, that there is a strong and growing "upside" in Africa that Americans should not ignore. Playing up these opportunities will not only serve U.S. commercial interests in Africa. U.S. investments, done right, can have long-term development impacts, through technology and knowledge transfer, training, systems development, and partnerships. And a new, more optimistic engagement with Africa's citizens and entrepreneurs will have strong resonance with the continent's up and coming generation, creating links more fully based on enduring mutual interests. Ultimately, expanding the many ways that American companies and citizens engage in Africa will help ensure that the United States remains relevant and influential in an increasingly diverse and competitive global environment. ■

Part IV Managing Nuclear And Proliferation Risks



Forging a Consensus on a Sustainable U.S. Nuclear Posture

Clark A. Murdock and John K. Warden

Despite significant efforts by the current administration, a consensus on the future U.S. nuclear posture remains elusive. This leaves the next administration—whether a second Obama term or the first of a Republican president—with difficult decisions about new nuclear delivery systems, infrastructure investments, and most important, what strategy to pursue.

The Obama administration released a forward-looking Nuclear Posture Review (NPR), signed a new bilateral arms control treaty with Russia, hosted the first Nuclear Security Summit in Washington, helped achieve a final document at the Nuclear Non-proliferation Treaty (NPT) Review Conference, and just last month, attended the second Nuclear Security Summit in Seoul. Domestically, the administration hoped to unite Democrats and Republicans behind both a new arms control treaty and the investments needed to modernize the U.S. nuclear weapons complex and nuclear force. Internationally, it wanted to restore U.S. credibility on nonproliferation issues, while continuing to protect the United States and its allies from nuclear threats.

By the end of 2010, the administration's strategy was bearing fruit. Washington reached an inside-the-Beltway consensus on a smaller

U.S. nuclear force that still maintained the Cold War triad—silo-based intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), and nuclear-capable bombers. The U.S. Senate gave advice and consent to New START, which capped U.S. and Russian nuclear deployments at 1,550 accountable warheads, and as part of the deal to secure ratification, the administration promised to request \$85 billion over 10 years to modernize the U.S. nuclear weapons complex, which includes a number of aging production and maintenance facilities, and over \$100 billion to replace nuclear delivery systems.

But what was always a fragile consensus began to unravel. Pressure on federal budgets, particularly those for defense, has made it increasingly difficult for the administration to maintain a coalition in support of a modernized nuclear triad. Those advocating for new conventional military capabilities resist spending on nuclear platforms, which are viewed as far less usable, while those committed to nuclear abolition argue that nuclear modernization sends the wrong signal internationally and is a waste of money. Unfortunately, worsening prospects for consistent modernization funding may make lawmakers more hesitant to support reductions and arms control in the future.



Left unresolved were important strategic questions regarding the fundamental role of nuclear weapons in U.S. strategy in the twenty-first century.

The inside-the-Beltway agreement addressed arms control priorities and covered the programmatic details of recapitalizing the U.S. nuclear force and infrastructure. Left unresolved were important strategic questions regarding the fundamental role of nuclear weapons in U.S. strategy in the twenty-first

century and what nuclear capabilities are needed to fulfill that role. By arguing that the United States should reduce the role of nuclear weapons and work toward a world without them, the administration made a tough argument even more difficult: that nuclear complex modernization is more important than other congressional priorities.

During the Cold War, the existential threat posed by a nuclear-armed Soviet Union, as well as the inherent risk of escalation from any conflict between the superpowers, created a strong consensus, both in Washington and across America, that a robust nuclear arsenal was critical to deter a great power war. The United States now faces a changed geostrategic landscape in which nuclear weapons seem less salient. Russia, China, and others retain the capability to inflict tremendous damage to the United States with nuclear weapons, but the risk that they would actually do so seems minimal. Instead of deterring adversaries, U.S. nuclear policy now prioritizes the prevention of nuclear terrorism and proliferation—goals the Obama administration has argued are more likely to be achieved by upholding the NPT regime and pursuing a world without nuclear weapons.

2013 is the right time for the United States to forge a new consensus on the enduring role of nuclear weapons. While the value of nuclear deterrence has clearly changed since the Cold War era, the demands of a rapidly changing security environment, which includes a number

of states that are either pursuing or expanding nuclear weapons programs, will alter, and perhaps increase, our reliance on nuclear deterrence. Analysts and policymakers alike need to ask tough questions and return to first principles. How will the security environment change over the next few decades? How will that alter the role of nuclear weapons in U.S. strategy? Who is the United States trying to deter from taking what actions? To whom is deterrence being extended, and what constitutes credible assurance? These are hardly original questions, but the context in which they are being presented is quite new.

As the next administration works to answer these questions, there are a number of important considerations to keep in mind.

First, strategy should drive numbers, not the other way around. Just as it was a mistake in the Cold War to deploy thousands of nuclear weapons and find the required number of targets, it would be a mistake now to begin a review of deterrence requirements with an a priori decision that the number of weapons must be smaller. Instead, the next administration should reevaluate what potential adversaries value and what capabilities are necessary to inflict sufficient damage, without predetermining the outcome. This premise cuts both ways, however. Defenders of nuclear deterrence are right to criticize reductions for reductions' sake, but wrong to oppose a deterrence review that *might* result in further reductions. Concluding that no reductions are possible before a review is even conducted falls victim to the same problem.

Second, nuclear modernization decisions made in 2013 will last for decades. Replacements for land-based Minuteman missiles and Ohio-class ballistic missile submarines are scheduled to come online around 2030 and last through the middle of the century. As a result, the United States must invest in a flexible force posture and responsive

infrastructure that can adapt to the range of potential futures. By 2050, the United States could face a highly proliferated world, significant progress toward disarmament, or something more similar to the status quo. In dealing with such long time horizons, it is extremely important to make the best possible predictions about the security environment and plan accordingly. There is little reason to think that the world's nuclear powers will give up their weapons within the service life of follow-on delivery systems under consideration. If anything, there may be reason to think that the United States will encounter even more potential adversaries with nuclear weapons.

Third, finding the balance between maintaining a safe, secure, and effective nuclear force and pursuing a world without nuclear weapons will be difficult, but necessary. Politically, future arms control and reductions will only be possible if a robust nuclear infrastructure is in place. Similarly, sustained funding for the infrastructure is unlikely without the support of arms control advocates. While creating the conditions for a world that is safer without nuclear weapons is a laudable long-term goal, it must be realistically tempered by a sober analysis of the security environment.

Fourth, reaching a truly bipartisan consensus is critical. Partisan fights will make it extremely difficult to sustain budgets for missiles, ships, and facilities that take decades to design and construct. Inconsistent budgetary support will slow progress and, in turn, raise the final costs. A lack of bipartisan commitment to the U.S. nuclear enterprise will also send mixed signals internationally, which might cause adversaries to question U.S. resolve or allies to doubt U.S. commitment to their defense.

The next administration should forge a consensus among the broad middle of the political spectrum on the role of nuclear weapons—a necessary step to ensure a sustainable U.S. nuclear posture in the twenty-first century. ■



Nuclear Challenges in 2013

Sharon Squassoni

There is no shortage of nuclear challenges as we immerse ourselves in 2012, despite the apparent willingness of both North Korea and Iran to discuss cooperation.

In the case of North Korea, most experts believe that openness to talks, while positive, is tied to the celebrations scheduled in April 2012 to celebrate the centenary of Kim Il-sung's birth. As the year matures, so will the new North Korean leader Kim Jong-un's understanding of his job and his political calculus of what he needs to maintain power. By 2013, however, it should be a little more apparent whether the North Koreans are serious about cooperating and all that it entails. The next U.S. administration should not be surprised by the decades-old demand of North Korea for help with electricity generation—whether it is nuclear based, coal fired, or based on renewables.

The North Koreans are likely to seek attention and assistance regarding the construction of their own light water reactor even if it is just a ploy to get the United States and other countries to extend real assistance on nuclear safety. After Fukushima, it is hard to disagree with the need to ensure that all nuclear power reactors are designed and operated safely,

although assistance to a North Korean reactor under construction is not likely to be at the top of the U.S. policymaking agenda.

In the past, efforts with North Korea have soured when indicators of real, step-by-step progress in assistance were lacking. Of course, that nation must demonstrate its seriousness to merit assistance. But there are some steps that could get around the conundrum of which party acts first. For example, some highly enriched uranium fuel still sitting in spent fuel pools at the North Korean research reactor should be removed to improve safety and nuclear security (repatriated to Russia), and the reactor should be converted to low-enriched uranium fuel. Removing the fuel would provide an immediate safety benefit to North Korea, which is not operating the research reactor now, and an immediate nuclear security benefit for the West. Once this is accomplished, further talks could progress on how to refuel the reactor and monitor its operations, which would have benefits for both sides.

On Iran, all the talk of a potential attack might have had the desired effect of extracting an Iranian promise to come to the negotiating table. With U.S. elections in November, Iranian negotiators may see some advantage in stringing

out talks through the fall, but with their own presidential elections looming in mid-2013, perhaps even longer. And yet, no matter which party is in the White House next year, military options may appear more attractive: to an Obama administration that feels it has more flexibility, less to lose politically, and would like to resolve the crisis before it's too late; or to a Republican president who might listen more closely to the hawkish voices that now advocate a strike on Iran's nuclear facilities. No matter what, this year is likely to see intensified efforts to engage Iranian diplomats in a negotiated solution.

One other “nuclear crisis” is likely to bubble up in 2013: how the United States and South Korea settle their differences on their peaceful nuclear cooperation agreement, which must be negotiated by the end of next year. Right now, both sides are waiting until after the conclusion of the Seoul Nuclear Security Summit in March before continuing talks, which have centered on whether South Korea can, at some point, engage in enrichment and/or reprocessing of U.S.-origin nuclear material. The United States has only ever allowed countries that already had such technology to do so. South Korea does not currently have commercial scale capabilities in either area.

One other ‘nuclear crisis’ is likely to bubble up in 2013: how the United States and South Korea settle their differences on their peaceful nuclear cooperation agreement.

Between two strong allies, it is hard to imagine such controversy. But the South Korean agreement represents the edge of U.S. nuclear nonproliferation policy and U.S. efforts to maintain its leadership. The South Korean nuclear program owes a significant debt to U.S. nuclear technology: reportedly the \$20 billion sale of four reactors from South Korea to the United Arab Emirates (UAE) still has Westinghouse technology and equipment embedded in the Korean-designed APR-1400.

If the United States cannot lead through being the dominant nuclear exporter, it must rely on allies that are exporting nuclear technology to require all the right safety, security, and nonproliferation preconditions to ensure that technology does not go awry. Is the price of those assurances an additional member into the club of those countries that engage in the most sensitive, and proliferation-risky, nuclear activities—enrichment and reprocessing?

On the longer horizon, the next administration will need to figure out what it really wants to promote in terms of nuclear energy (fast reactors? small modular reactors? recycling? long-term storage of nuclear waste? regional approaches to fuel cycle development?) and how those affect its job of ensuring nuclear safety, security, and nonproliferation. This would require more thought at the top on how to manage nuclear energy research and more policy integration between the Department of Energy's nuclear energy and nonproliferation management.

Lastly, in the coming years, the U.S. government will have to get serious about bringing India into the nonproliferation mainstream. This entails more than a policy of benign neglect, which appears to have been the path chosen since 2008. The United States needs to lead the way on developing a new paradigm that even India can agree to—one that may not be called nuclear nonproliferation, but one that ensures better nuclear security (whether it applies to weapons or nuclear energy) for all. ■



Nuclear Energy in America: Preventing its Early Demise

Michael Wallace and Sarah Williams

America's nuclear energy industry is in decline. Low natural gas prices, financing hurdles, new safety and security requirements, failure to resolve the waste issue and other factors are hastening the day when existing reactors become uneconomic, making it virtually impossible to build new ones.

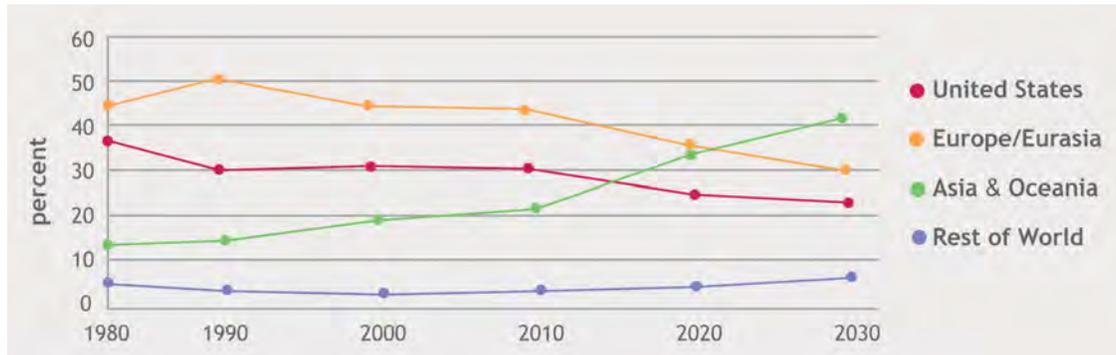
Two generations after the United States took this wholly new and highly sophisticated technology from laboratory experiment to successful commercialization, our nation is in danger of losing an industry of unique strategic importance, unique potential for misuse, and unique promise for addressing the environmental and energy security demands of the future.

The pace of this decline, moreover, could be more rapid than most policymakers and stakeholders anticipate. With 104 operating reactors and the world's largest base of installed nuclear capacity, it has been widely

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assumed that the United States—even without building many new plants—would continue to have a large presence in this industry for some decades to come, especially if existing units receive further license extensions. Instead, current market conditions are such that growing numbers of these units are operating on small or even negative profit margins and could be retired early.

SHARE OF NET GLOBAL NUCLEAR GENERATION 1980-2030



Source: Energy Information Agency (EIA) database

Meanwhile, China, India, Russia, and other countries are looking to significantly expand their nuclear energy commitments. By 2016, China could have 50 nuclear power plants in operation, compared with only 14 in 2011. India could add 8 new plants and Russia 10 in the same time frame. These trends are expected to accelerate out to 2030, by which time China, India, and Russia could account for nearly 40 percent of global nuclear generating capacity.

Meanwhile, several smaller nations, mostly in Asia and the Middle East, are planning to get into the nuclear energy business for the first time. In all, as many as 15 new nations could have this technology within the next two decades. Meanwhile, America's share of global nuclear generation is expected to shrink, from about 25 percent today to about 14 percent in 2030, and—if current trends continue—to less than 10 percent by mid-century.

With the center of gravity for global nuclear investment shifting to a new set of players, the United States and the international community face a difficult set of challenges: stemming the spread of nuclear weapons-usable materials

and know-how; preventing further catastrophic nuclear accidents; providing for safe, long-term nuclear waste management; and protecting U.S. energy security and economic competitiveness.

In this context, federal action to reverse the American nuclear industry's impending decline is a national security imperative. The United States cannot afford to become irrelevant in a new nuclear age.

Our nation's commercial nuclear industry, its military nuclear capabilities, and its strong regulatory institutions can be seen as three legs of a stool. All three legs are needed to support America's future prosperity and security and to shape an international environment that is conducive to our long-term interests. Three specific aspects of U.S. leadership are particularly important.

First, managing the national and global security risks associated with the spread of nuclear technology to countries that don't necessarily share the same perspective on issues of nonproliferation and nuclear security or may lack the resources to implement effective

safeguards in this area. An approach that relies on influence and involvement through a viable domestic industry is likely to be more effective and less expensive than trying to contain these risks militarily.

Second, setting global norms and standards for safety, security, operations, and emergency response. As the world learned with past nuclear accidents and more recently with Fukushima, a major accident anywhere can have lasting repercussions everywhere. As with nonproliferation and security, America's ability to exert leadership and influence in this area is directly linked to the strength of our domestic industry and our active involvement in the global nuclear enterprise. A strong domestic civilian industry and regulatory structure have immediate national security significance in that they help support the nuclear capabilities of the U.S. Navy, national laboratories, weapons complex, and research institutions.

Third, in the past, the U.S. government could exert influence by striking export agreements with countries whose regulatory and legal frameworks reflected and were consistent with our own nonproliferation standards and commitments. At the same time, our nation set the global standard for effective, independent safety regulation (in the form of the Nuclear Regulatory Commission), led international efforts to reduce proliferation risks (through the 1970 NPT Treaty and other initiatives), and provided a model for industry self-regulation.

The results were not perfect, but America's institutional support for global nonproliferation goals and the regulatory behaviors it modeled clearly helped shape the way nuclear technology was adopted and used elsewhere around the world. This influence seems certain to wane if the United States is no longer a major supplier or user of nuclear technology. With existing nonproliferation and safety and security regimes looking increasingly inadequate in this rapidly changing global nuclear landscape, American leadership and leverage is more important and more central to our national security interests than ever.

To maintain its leadership role in the development, design, and operation of a growing global nuclear energy infrastructure, the next administration, whether Democrat or Republican, must recognize the invaluable role played by the commercial U.S. nuclear industry and take action to prevent its early demise. ■

Biodefense: When Technology Goes Global

Carol R. Kuntz

Biotechnologies present critical choices for the United States in this new strategic era. These technologies contain both great promise and great risk. Genetically modified crops may provide the means to feed the world's growing population, and new drugs may treat diseases that have plagued humans throughout the millennia. The growth of this sector may provide good jobs and profits for American workers and industry.

At the same time, these technologies pose grave dangers. Their growing sophistication and availability makes possible a catastrophic biological attack by a nonstate actor—an event that could cost thousands or even tens of thousands of innocent lives.

These dangers are especially pronounced given the global diffusion of excellence in biotechnologies. Although the United States remains dominant in biotechnology discovery, the rate of growth in other economies—particularly China and India—is extremely rapid across the full spectrum

of activities from discovery through advanced development and into full-scale production. Few production sites are located in the United States today. Most analysts expect a gradual shift overseas of a greater proportion of the growing biotechnologies enterprise.

Unfortunately, the U.S. government policy response is not changing as much or as swiftly. Current strategies and structures too often continue Cold War-era policies for nuclear nonproliferation that relied on control—using export controls because U.S. and Western allies uniquely had access to nuclear-related technology; inspections to control shifting civilian technology to military purposes; and classification to control access to the technical details about weapon construction. The vast differences between nuclear and biological threats mean that these Cold War approaches are likely to fail to prevent a catastrophic biological attack or effectively defend against it.

While there are irreducible differences between civilian and military nuclear programs, there would be no meaningful difference between a civilian and a military biological program before the immediate pre-attack phase. Similarly, a nuclear weapons facility would generate a large, observable footprint, whereas a bio research lab probably would not.

Most analysts expect a gradual shift overseas of a greater proportion of the growing biotechnologies enterprise.



International norms for biosecurity need to be developed and then implemented. The norms should be developed through a bottom-up effort rooted in the international life sciences and public health communities. The norms should be built by these communities and, as possible, expanded to a self-enforcing system of facility and individual certification. This system can be reinforced by national law and regulation. The United States must provide stronger leadership to promote such standards.

In addition, biotechnology expertise is extremely diffuse—globally and throughout the research and private sectors. The Manhattan Project and other nuclear-related research meant that nuclear expertise was concentrated in the government. By contrast, biotechnology research is dominated by civilian pioneers, with large numbers and weak or nonexistent professional linkages.

New organizational structures will need to be developed that enable Defense Department scientists to interact more freely and more often with their civilian counterparts. Wholly separating civilian and defense science sectors in the years ahead will assure the defense sector falls behind technically in some key areas, harming, for example, our ability to develop needed medical countermeasures in a biological catastrophe.

Current approaches to the biotechnologies—patterned off of Cold War nuclear nonproliferation efforts—are likely insufficient. These efforts should be complemented by attempts to create government linkages to scientific communities, both through promoting international norms and bolstering knowledge of scientific advances.

These types of efforts will prove beneficial not just within the biotechnologies, but within a number of emerging fields that present similar dilemmas—most notably cyber and nanotechnology. Biotechnologies present only the first of many tests of the United States' ability to adapt to privately developed technologies with significant security implications. ■

(These views are the author's own and do not reflect an official U.S. government position.)

Part V Developing New Security Paradigms



The Role of Unconventional Oil and Gas: A New Paradigm for Energy

Frank A. Verrastro

For the last 40 years, U.S. energy policy has been predicated on the dual notions of growing demand and resource scarcity, especially in relation to oil and natural gas—which are responsible for roughly two-thirds of U.S. energy consumption. As a consequence, we have looked to imports to balance our supply-demand needs, and in the process, have experienced periods of significant price volatility. In March 2012, President Obama reiterated his pledge for attaining a secure energy future. He promised nothing less than the transformation of our current fossil fuel-based energy system to one that is cleaner, more secure, and sustainable.

Most analysts agree that for a variety of reasons (growing global demand, concentration of resources, limited access and governance challenges, infrastructure needs, balance of payments outflows, changing geopolitical alliances, and security considerations) the current energy system is simply unsustainable. A transformation is already underway. But make no mistake, it will take decades to complete.

Fossil fuels (coal, oil, and natural gas) account for roughly 85 percent of global energy consumption. Renewables and nuclear make up the rest. And while the growth in solar and wind has been enormous, the base is small, and intermittency and infrastructure challenges remain a significant hurdle to widespread adoption. In the wake of the Macondo oil spill in 2010, the Fukushima nuclear incident in 2011, and the shale gas “revolution,” the energy landscape is changing. Higher prices and technology applications at scale are driving the unconventional resource revolution as there are enormous unconventional oil and gas resources both here and abroad. This phenomenon has the potential for creating a new energy reality, one in which the United States once again becomes a global leader in oil and gas production. This, coupled with efficiency improvements and alternative supplements, can substantially reduce U.S. oil imports, achieving a significant reduction in our balance of payments. It can also simultaneously create an engine for economic growth, a platform for technology and innovation, job creation, new tax and royalty revenues, and the revitalization of domestic industries.

Moreover, if properly and prudently managed, the successful development of these resources will give us the “breathing space” to develop and dispatch the next generation of cleaner-burning/lower-carbon fuels that currently do not exist at scale.



Source: U.S. Energy Information Administration based on data from various published studies. Canada and Mexico plays from ARI. Updated: May 9, 2011

THE SHALE GAS REVOLUTION

The growth of shale gas production in the United States over the past decade has been truly remarkable. As a consequence of access (mostly on private lands), higher prices (2007–2008), and the application of hydraulic fracturing (fracking) technology and extended-reach lateral wells, the ability to economically unlock this vast “source rock” resource has elevated the United States to the position of the world’s largest natural gas producer. This is an astounding accomplishment, as only a few years ago it was projected that the United States would become increasingly dependent on pipeline gas from Canada and imports of liquefied natural gas (LNG) from around the world.

Less than a decade ago, shale gas comprised less than 2 percent of domestic output. Today it accounts for almost a third. The enormous success

in shale development has resulted in significantly lower prices, reduced consumers’ electric bills, and stimulated discussion about exports and the revival of a competitive domestic petrochemical industry.

A recent report by the National Petroleum Council (NPC) projects a possible resource base of several thousand trillion cubic feet (TCF), suggesting more than a hundred years’ supply at current consumption rates. As we continue to learn more about the shale resource plays, recent supply forecasts have become more bullish.

Less than a decade ago, shale gas comprised less than 2 percent of domestic output. Today it accounts for almost a third.

That said, as with all energy sources, there continue to be operational risks and consequences. The practice of fracking is not without controversy. Environmental concerns about water contamination, water use at scale, recycling and proper disposal, land use, property values, noise, haze, methane, and greenhouse gas emissions, seismicity concerns around wastewater disposal, congestion and other local issues will have to be responsibly addressed. But technology, well integrity, operational “best practices,” and community engagement, coupled with proper regulation and enforcement, should make realization of the benefits of this resource achievable.

TIGHT OIL

The application of lateral wells and fracking technology has had a similar impact on tight oil and shale oil development. Development of the Bakken oil shale formation has catapulted North Dakota past California as the nation’s third-largest oil producing state, and similar development is also taking place in the Niobrara, the Monterey, the Utica, Eagle Ford, and other basins around the country.

At the turn of the century, U.S. tight oil production was around 150,000 barrels per day (b/d). Last year it approached nearly 1 million b/d. Current projections estimate that it could approach 2.5 million to 3 million b/d (or more) by 2020. When coupled with increased production from the offshore—including the ultradeep water and lower tertiary formations, oil sands (yes, the United States has oil sands), shale oil, oil shale, natural gas liquids, conventional onshore production, and the Arctic—U.S. production could exceed 10 million b/d, rivaling the current output of Russia and Saudi Arabia.

When alternative fuels and reduced demand due to efficiency improvements (CAFE standards) are factored in, U.S. imports (and our oil imports bill) can inevitably decline.

Not surprisingly, many of the concerns related to shale gas development are also associated with accessing unconventional oil. As is the case with unconventional gas, industry has committed to step up its game with respect to responsible management of both “above” and “below ground” issues, greater transparency, education and community engagement. Smarter, safer, cleaner is now an operational necessity.

CONCLUSION

At this writing, U.S. oil production is at its highest level since 2003. Natural gas has eclipsed the previous output record set back in 1973. Oil imports comprise less than 49 percent of total consumption, and refined product exports are averaging almost 3 million barrels per day, giving the domestic refining sector an enormous “value add.”

As development continues at scale, new issues will undoubtedly arise—including the build-out of new supporting infrastructure, the role of exports, the timing and sequencing of development initiatives, the right mix of federal and state regulation, etc. However, the prospect of sizable new production opportunities in the United States and North America necessitates a reassessment of our decades old tool kit and a serious policy rethink when it comes to mapping out the coming decades as we progress toward a more sustainable energy future. ■



Playing a New Geoeconomic Game

Juan Zarate

The United States has just begun to wrestle with the complications of an interconnected global environment where economic power, access to resources, and cutting-edge technologies are redefining national power. The next president must address the myriad vulnerabilities and opportunities in this shifting landscape and develop a new national economic security strategy.

Others—like the Chinese and Russians—are already playing a new geoeconomic game, where economic power is leveraged aggressively for national advantage.

They continue to steal billions of dollars of intellectual property from U.S. government and private-sector networks. Certainly, the Internet has accelerated and amplified vulnerabilities with the ease of digital access to mass amounts of data, low barriers of entry to cyber intrusion, and the useful cloak of online anonymity.

But economic battles are not confined to cyberspace. During a diplomatic spat with Japan in 2010, China suspended its exports of rare-earth minerals—necessary for key high-tech manufactured items like hybrid engines and solar panels. China has also used its undervalued currency, subsidies, and the

weight of its market—both current and future—to demand local content and partnership concessions from foreign companies.

The resulting transfer of technology and marginalization of multinational companies has allowed Chinese companies to take larger chunks of the global solar, wind turbine, and high-speed rail markets. At the same time, Chinese infrastructure and extraction projects in Africa, Central Asia, and Latin America are facilitating Chinese access to both raw materials and political influence.

Russia hasn't hesitated to play the game either, using its oil and natural gas resources to exert political pressure while padding the Kremlin's coffers. In 2006 and again in 2009, Russia shut off natural gas supplies to Europe through Ukrainian pipelines to extract concessions and pressure Ukraine. Russia—through Gazprom—has also followed an acquisition pattern of “plugging the holes” of alternate channels of energy supply to Europe in the Balkans and Poland.

These issues are not limited to these two countries. The United States faces a direct challenge to its economic predominance from an alternate state-driven capitalist model and from systemic and economic threats from a panoply of state and nonstate actors. U.S. economic reach and influence have been taken for granted as a function of the free trade paradigm that the United States helped establish and the competitive advantages of the U.S. market and companies against foreign competitors. This

is now in jeopardy, with not only economic advantage but international influence at risk.

The United States is unprepared to play this new geoeconomic game. Our current approach to economic security abroad reflects a reticence to meld political and economic interests. This underscores a long-standing structural divide between national security policies and the role of the U.S. private sector in the international commercial and financial system.

The most egregious examples are in Iraq and Afghanistan. American blood and treasure have been spent to establish security and functioning economies, but American companies and interests are often left on the sidelines as Chinese, Russian, and other countries' companies profit from oil, mineral, and other sectors.

The U.S. government's approach to these vulnerabilities is also scattered—with strategies to protect supply chain security, combat transnational organized crime, secure the cyber domain, protect critical infrastructure, and promote U.S. private-sector interests abroad to compete with state-owned enterprises. As the Venn diagram of economic and national security overlaps ever more exactly, the United States should craft a deliberate strategy that aligns economic strength with national security interests more explicitly and completely.

The intelligence community should prioritize collection and analysis to focus on the global landscape through this lens. The Departments of

Others are already playing a new geoeconomic game, where economic power is leveraged aggressively for national advantage.

Commerce, Energy, and Defense should sit down together—and then with the private sector—to determine how to maintain investments and access to strategic materials and capabilities critical to national security. Our homeland security enterprise should be focused less on defending against specific actors and more on protecting and building redundancies in the key infrastructure and digital systems essential for national survival. Law enforcement and regulators should have access to beneficial ownership information for suspect investments and companies formed in the United States.

International alliances should be recast to ensure key resource and supply redundancy, while trade deals should create new opportunities for influence and economic advantage. The proposed Trans-Pacific Partnership trade accord endorsed by President Obama is a major step in the right direction. We should deploy new doctrines of deterrence like a “boomerang deterrent” making it patently unwise for countries to try to attack or weaken the United States given the entanglement of the international commercial and financial systems.

The president should also review the traditional divide between the public and private sectors where cooperation is essential, as is happening in the cyber domain. We should view the relationship between government agencies—like the Overseas Private Investment Corporation and the U.S. Agency for International Development—and businesses as core to the promotion of U.S. interests, creating alliances based not just on trade and development but on shared economic vulnerabilities and opportunities. The White House will need to ensure that its national security and economic experts are sitting at the same table crafting and driving the strategy while consulting the private sector.

In doing this, we must reaffirm our core principles. We are neither China nor Russia, nor should we overestimate the strength of their systems and inadvertently create structures that move us toward a state authoritarian model. On the contrary, we should remain the vanguard of the global free trade, capitalist system, while preserving the independence of the private sector and promoting ethical American business practices. We should not retreat from the globalized environment we helped shape but instead take full advantage of the innovation and international appeal of American business and technology.

In the twenty-first century, economic security underpins the nation’s ability to project its power and influence. The United States must remain true to its values but start playing a new, deliberate game of geoeconomics to ensure its security and strength. ■



Combatting Al Qaeda After Bin Laden

Thomas M. Sanderson

2011 was a bad year for al Qaeda. U.S. commandos killed its leader, Osama bin Laden, along with many senior figures in Pakistan and elsewhere. Arab populations kicked out dictators in Tunisia and Egypt without using al Qaeda's violent, religion-infused playbook. In South Asia, continuing negotiations to end the war in Afghanistan could marginalize Ayman al Zawahiri and his foreign fighters. "Dismantling and defeating" al Qaeda seemed to be within our grasp as 2011 came to a close.

These victories, coupled with internal budget pressures, are now more than ever creating a new way of thinking about the threat al Qaeda poses. A resource-constrained government—and a war-weary American population—want to cut expensive counterterrorism operations. U.S. forces will depart Afghanistan in less than two years and are already gone from Iraq, leaving fewer American targets in sensitive areas. Many feel it is time to move on.

Turning the page on al Qaeda and its formidable team of associated movements is, however, premature. Turmoil is building in many of the countries that sent fighters to Iraq to confront U.S. forces. Egyptian citizens, once hopeful for a more representative government, are furious at the stunted democracy and failed economy mismanaged by a recalcitrant military. Rising to the top of this mess are the unproven and

fissured Muslim Brotherhood and hard-line Salafis. Next door in Libya, dozens of militias are making the country ungovernable and an important link in the chain of unstable lands facilitating the movement of fighters and weapons.

Further westward, al Qaeda's North African affiliate possesses portable anti-aircraft missiles and offers support to northern Nigeria's violent Muslim extremists. Boko Haram's operations against civilian and government targets alike invite harsh responses from the Nigerian government—inviting outside backing, possibly from al Qaeda.

Al Qaeda affiliates in Somalia, Iraq, and Yemen are undermining their decrepit host nations. Conditions in all three states weaken regional security and exhaust resources. Al Qaeda's new emir, Ayman al-Zawahiri, calls jihadists to fight the Syrian regime, and a new "Martyrs Brigade" has recently been announced. Reality on the ground paints a very different picture of al Qaeda's future than the one hoped for by Washington policymakers and Main Street alike.

Al Qaeda continues to capitalize on chaos. A rejuvenated al Qaeda will be marked by ongoing affiliate attacks, more sophisticated information operations, and advanced communication tools and financial networks

rapidly directing foreign fighters and funding to important targets. Where the situation is most uncertain and where much is at stake, al Qaeda is both spoiler and catalyst.

Al Qaeda too is operating in a more hostile and uncertain environment, and is taking chances by doing so. But the payoff for them—and the danger to international stability—is high. Compounding the al Qaeda threat is a steady increase in criminality by al Qaeda affiliates, insurgent partners, and transnational criminal syndicates, hobbling governance in areas where it matters most. In this more fluid state of affairs, al Qaeda is now an unguided missile: fearsome, disruptive, and damaging—even if sometimes crashing short of intended targets.

The dark clouds do not end there. This reality is sharpened by the Syrian and Iranian regimes seeing fit—in response to intense Western pressure—to release al Qaeda "guests" and prisoners located within their borders. The release of individuals such as Saif al Adel (currently in Iran) can deeply impact al Qaeda's fortunes. We must also not forget the capacity of individual actors or "lone wolves" already living in the West to do harm—such as Mohamed Merah's recent crimes in Toulouse, France. Their safe havens are minimal, and their motivation is exceptionally high. Lone wolves will act when able and provide few warnings to enable preemption.

This multifaceted challenge is daunting indeed. Al Qaeda remains a covert organization, and one in flux and uncertain of its own future. Nations that once provided the United States with valuable intelligence—including Libya, Egypt, and even Syria in the early days after September 11—no longer do so. (Egypt’s contribution is highly degraded).

A fatal overextension by al Qaeda is possible—its leaders in Pakistan and among the affiliates could reach too far and invite potentially fatal responses. The United States must be ready to take advantage of mistakes by knowing when they happen, but more importantly by having the tools and authorities to act decisively when and where they occur.

As tempting as it might be to develop a new paradigm for combatting al Qaeda in the post-bin Laden era, the current approach is working, and policymakers need an unblinking eye. Anything less will invite unwanted surprise. Key counterterrorism institutions such as the CIA and Special Operations Command have retained high levels of funding and remain vigilant. However, exhausting counterterrorism measures and recent successes against al Qaeda is leading some in government and in the public to be complacent. Where al Qaeda goes from here is hard to determine. Though they are not omnipotent and without an expiration date, al Qaeda is not resting nor going away anytime soon. We must pay close attention, budget appropriately, and continue to improve all of our counterterrorism activities, lest the successes of the last 12 months be in vain. ■

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The Future of Special Forces

Rick “Ozzie” Nelson and Robert Wise

Never in their history have U.S. Special Operations Forces (SOF) been more respected, capable, or effective than they are today. With a series of high-profile direct action missions, punctuated by the killing of Osama bin Laden in May 2011, these elite forces have steadily risen in the public eye and earned the trust and confidence of the nation’s leadership. While SOF will continue to conduct such missions, the Defense Department’s recent strategic guidance suggests that in the future SOF’s traditional competencies in indirect action will be of greater demand, and on a global scale.

However, if the next administration hopes to benefit from SOF successes in indirect mission areas similar to those they have enjoyed in kinetic missions, changes in SOF’s capabilities, authorities, and resource allocation will be required. The next administration must seize on SOF’s current political clout and national popularity to ensure they evolve into a truly global, full-spectrum force—and do so quickly. If SOF are mismanaged internally or externally during this period of critical transition, the next administration could lose the capabilities of this highly effective force as well as the capacity to employ it.



In coming years, SOF are likely to find themselves in new environments across the globe, conducting a variety of indirect missions intended to minimize threats before they require kinetic action. Whether training local military forces in Uganda or building relationships with villagers in Indonesia, SOF will increasingly be called on to perform missions that draw on their ability to engage with host nation forces and indigenous populations. With the proper resources and support, SOF can excel in virtually any environment, yet this new global direction presents challenges for which they are currently not fully equipped.

Due to constant operations in Title 10 combat zones where the U.S. military has the lead, such as Iraq and Afghanistan, SOF's traditional proficiency in conducting indirect action on a global scale has atrophied. Further, with roughly 80 percent of SOF personnel deployed to the Middle East, SOF capabilities have narrowed to focus largely on one region. Rebuilding their capacity for worldwide indirect action will require SOF to not only emphasize indirect over direct action skills, but improve manpower management to ensure the force has the range and depth of regional understanding to execute its missions.

Further, SOF will need to address internal resourcing challenges as they seek to enhance the capabilities needed to operate on a global scale, most notably

fixed and rotary-wing lift. It will take time and effort for SOF to rebuild the capabilities that have dissipated over the past decade, necessitating that they immediately shift their focus toward preparing for this new global mission.

Even as SOF leaders work to strengthen capabilities internally, if they are to successfully undertake missions beyond Title 10 areas and meet the requirements set forth in the Defense Department guidance, the force will require greater external support in the form of authorities and resources. SOF relationships with Geographic Combatant Commands (GCCs), which under current authorities dictate how and when SOF are employed in a given region, remain inconsistent. Regional commanders vary in their understanding of the nuanced SOF skill set and often myopically view SOF activities as too risky and problematic. As a result, SOF often find their regional mission objectives and resource requirements lost in the GCCs' larger set of priorities.

While Admiral William McRaven, commander of U.S. Special Operations Command (USSOCOM), has put forward a vision to enhance SOF's relationship with the GCCs, his efforts ultimately will be contingent on regional commanders' willingness to embrace and employ such assets. The most noteworthy challenges, however, extend beyond the Department of Defense. Interagency

SOF often find their regional mission objectives and resource requirements lost in the Global Combatant Commands' larger set of priorities.

partners such as the Central Intelligence Agency and the Department of State wield significant power in the environments in which SOF will increasingly operate, yet their willingness to work with and support these forces, while improved during the last decade, remain sporadic. SOF will find it challenging to operate on a global scale if their governing authorities and the resources available

to them keep them beholden to both the GCCs and other departments and agencies. Addressing this dearth of authorities and resources will require national-level support and will dictate SOF's ability to succeed as a global force.

If it wishes SOF to remain optimally effective and relevant, the next administration will not only have to address these internal and external challenges, but do so within a shrinking window of opportunity. Although SOF currently enjoy the support among senior leaders necessary to affect these changes in capabilities, authorities, and resources, memory of recent victories will rapidly fade, and support for SOF along with them. As a result, quick action will be needed to capitalize on SOF's successes.

If this transition is properly managed, SOF will present the president with options no other force can offer. Their adaptability and scalability suit them for a broad array of difficult and sensitive missions, from advising host nation forces to confronting pirates. But if these challenges are not quickly met, SOF may find themselves relegated to providing little more than support for General Purpose Forces. If SOF are not given the support necessary to quickly pivot from direct action missions in the Middle East to indirect action on a global scale, and if the GCCs, the interagency, and ultimately the president do not fully embrace SOF and their role as a global force, the next administration could rapidly lose one of the most effective tools in its national security arsenal. ■



Stabilization and Reconstruction After Iraq and Afghanistan

A Conversation with Nathan Freier and Robert Lamb

The following conversation derives from an on-line chat between Global Forecast editors and two CSIS scholars on what stability operations might look like under the next administration.

As Washington debates the pace of withdrawal from Afghanistan, it may be time to look back and ask what we have learned as a country after a decade of massive state-building operations.

ROBERT LAMB: I don't think there's agreement on what we've learned. On one hand, there's lots of evidence that it doesn't work. It distorts labor markets and the country's nascent private sector. It puts us in the middle of violent local politics we don't understand. We can't coordinate between our own agencies, much less with dozens of other countries. And yet, 10 years ago Afghanistan was a medieval theocracy. Today, with all its flaws, there are new institutions, roads, schools, rights, and a lot of other things that didn't exist under Taliban rule.

NATHAN FREIER: I think we've learned two things. First, these are time- and resource-intensive endeavors that engender enormous costs. And second, this type of long-duration military action ought to be avoided at almost any cost in the future. If and when we do undertake operations of this scale again, the level of investment must be commensurate with the interests at stake and the level of opportunity cost and risk associated with tying down finite military and civilian resources.

LAMB: I agree that the main lessons are about time and scale, ambition and expectations. Rushing to success amounts to rushing to failure.

Why has it been so difficult?

LAMB: We have been enamored by the idea that state-building is necessary for reconstruction and that the more resources we add the faster state-formation will occur. But the host government cannot absorb all the aid. And then we run out of resources before institutions become effective or anchored in their local context. So basically we overpromise, the host government overpromises, and then we all under-deliver. Local citizens watch the host government getting billions but unable to perform simple tasks. That doesn't do much for legitimacy.

So is success impossible? Should we just stay away?

FREIER: I wouldn't be so quick to declare the death of opposed stabilization. The challenge is to preserve the most important tactical and operational lessons of Iraq and Afghanistan, without concluding the next irregular conflict will look just like them. I suspect that strategic challenges will emerge that will require commitment of large numbers of forces. But,

I suspect future unconventional conflicts will look more like Syria or Libya than Iraq or Afghanistan. A regime collapses, and the country heads toward civil conflict. The combatants are numerous and well-armed as the state's sophisticated instruments of war fall into the hands of various substate contenders. There are plenty of states vulnerable to this fate sitting astride important American interests. If the United States is pulled into civil conflict in any one of them, it would be less ordered than traditional warfighting, but much more violent than classic counterinsurgency.

What would be the U.S. objective in such a scenario?

FREIER: Most likely managing or containing the conflict's most contagious elements.

LAMB: The overall goal in whatever future scenario emerges ought to be creating an environment where violence is minimized and life can be made reasonably predictable. It takes a long time to replace a strongman system with a rules-based system, to replace patronage with law, and to replace mafiosi with bureaucrats.

As you know, there are strong political headwinds blowing against future contingency operations. Do you think the United States will engage in a major stability operation in the next five years?

FREIER: I believe there are still "20 brigade problems" on the horizon. We recently completed work on the future of ground forces. We argued that major conventional campaigns are highly unlikely, but four other mission types are at least moderately likely and could involve significant ground forces in quite intense combat action with little strategic warning. These are seizing

and securing critical foreign infrastructure, geography, or dangerous military capabilities; denying sanctuary to terrorists, criminals, or insurgents by temporarily controlling their bases of operation; protecting large numbers of civilians from mass atrocity; and an opposed stabilization mission after a pivotal state collapses.

If this is true, how would we deal with the period when major combat operations have ceased? Do we need a new paradigm for reconstruction in this age of austerity?

LAMB: I think we do need a new approach, but the outlines are there. Instead of overpromising and under-delivering, we state publicly from the outset what modest security services we'll provide and how much aid, and then we do something that we always give lip service to: actually let the host nation lead. We can provide incentives to marginalize the most malign elements, but otherwise we recognize that people who live in these countries aren't stupid. They can figure out how to make things work without having to adopt our way of doing it. Foster a predictable environment, offer a bit of help, but otherwise let them do the rest.

What about on the military side? Will we still be prepared for contingencies like these given the new strategic guidance?

FREIER: Without question, a future punctuated by more "small wars" runs contrary to DoD's

current vision. The department will no longer size for long-duration stabilization and counterinsurgency (COIN), which implies that downstream competency for those missions cannot help but atrophy over time. That is a risk senior leadership seems willing to take. But we should recognize that it will implicitly limit where we decide to intervene, how we do so, and what our objectives become. That may be a good thing in that it cuts down on adventurism, but what about the "unavoidable" cases, where perhaps nuclear weapons are threatened or lost, strategic resources or infrastructure hazard violent disruption, or an important state suffers crippling instability. These aren't particularly speculative. Precursors to each are unfolding now.

What capabilities do you think the Pentagon needs in order to respond most effectively to contingencies like this?

FREIER: Crises today unfold at 4G speed. And they get very violent very fast. This implies the need for very specific capabilities: forcible multipoint air and amphibious entry, rapid deployment and employment of significant numbers of ground forces, and protected maneuver and firepower. All of these are implicitly undervalued in the new guidance. Further, it requires the ability to operate adjacent to and within vulnerable populations and apply force discriminately in the face of a diverse array of hostile hybrid adversaries armed with a mix of low- and high-tech military

A challenge after Iraq and Afghanistan is getting senior leadership to acknowledge that there will be a “next time.”

capabilities. Finally, operationally we need to be able to conduct simultaneous—often widely distributed—combat, security, and stability operations in pursuit of more modest, measureable, and sustainable objectives.

How about on the civilian side?

LAMB: We don't need huge numbers of civilians dedicated to doing this sort of work. But we will always need a core group of people with the proper skills and outlook. The State Department is standing up a new bureau to tackle these issues. That is good, but will it receive the necessary support from Congress and from within the State Department?

Do you have any cause for optimism looking forward?

FREIER: The good news is the degree to which civilian and military actors are now comfortable solving problems side-by-side in the field. There will always be problems given the different cultures, but one cannot underestimate the value of that shared experience on the nation's ability to adapt to the demands of the next complex contingency. A challenge after Iraq and Afghanistan is getting senior leadership to acknowledge that there will be a “next time.”

LAMB: I agree completely. There's been real progress that shouldn't be lost. Right now it might feel like we're going to avoid the kind of situations where this level of civ-mil coordination is needed. But life is full of surprises. ■

The End of the Golden Era of Global Health?

J. Stephen Morrison

Looking ahead to 2013 and beyond, we can already safely predict that, barring an unlikely quick turn to robust economic growth among advanced industrial economies, the global health agenda will remain in very difficult straits into the future. Things could get much more dire if there is a collapse of bipartisanship in Washington or if the economies of major emerging powers falter.

The naught decade (2000–2009) saw remarkable, explosive growth, concentrated in low- and lower-middle-income countries, in dollars delivered to infectious diseases—HIV/AIDS, tuberculosis, along with maternal and child health, and health systems. Aggregate resources flowing to global health rose from \$7 billion per year in 2000 to \$27 billion by 2008. The U.S. share has been substantial: in 2012, over \$8 billion, as much as \$10 billion if other related development investments (e.g., water, sanitation) are taken into account.

Today, in the decade of austerity, the situation has grown fragile and uncertain, as budgets have flattened and declined in the face of a protracted recession. The pie has begun steadily contracting, triggering overt crises in the Global Fund to Fight AIDS, Tuberculosis and Malaria and the World Health Organization.

Even the powerhouse U.S. bilateral program, the President's Emergency Plan for AIDS Relief (PEPFAR), long popular and protected by Republican and Democrat appropriators, as well as both the Bush and Obama White Houses, has experienced cuts, and more can be expected.

The threat of pandemic flu and other new pathogens spiked in the naught decade—SARS, H5N1 (swine flu), and H1N1 (avian flu)—triggering promising improvements in global coordinated surveillance and response. Recent years have grown quieter, and the perceived worldwide threat from pandemic has subsided (if only temporarily) as has the perceived threat of HIV/AIDS to southern and eastern Africa.

Global health's reversal of fortune, if unabated, will raise new dangers in 2013: a global ethical crisis over whether and how it will be possible to sustain the care and treatment already provided to millions (over 7 million persons living with HIV are now on life-sustaining antiretroviral medications); and the risk of a potentially destabilizing regression, should diseases that have been brought under control resurge.



If bipartisanship collapses, that will seriously weaken U.S. leadership on global health.

Two other possible developments could make this situation much worse.

At home, we could see the collapse of bipartisanship, a foundational strut beneath the U.S. leadership of both the Bush and Obama presidencies. Lately there are accumulating signs of a fraying: the conservative faith community sees declines in U.S. support of its programs overseas and believes, rightly or wrongly, it is a victim of bias. Our toxic, polarized domestic debate over family planning, the Affordable Care Act, and the “conscience clause” increasingly spills into debate over U.S. global health approaches. The looming historic budgetary battles over cuts in spending and taxes could alter fundamentally the climate of opinion in regard to investments in “soft power” in global health and other areas of development. On the Democrat and Republican sides alike there are important resilient defenders of U.S. leadership in global health. But there is also a worsening climate of suspicion and distrust and vocal conservative personalities condemning foreign aid.

If bipartisanship collapses, that will seriously weaken U.S. leadership on global health and have reverberating impacts among African partner governments, new instruments like the Global Fund, and other donors.

The second possible major problem would be if China, India, Brazil, and other emerging powers see a sharp decline in their economic growth. That will be a huge setback to these governments’ ability to expand health benefits to the poor and underserved citizens inside their borders. And it will significantly dampen whatever budding interest these nations may have to play on a global stage as health donors and backers of multilateral institutions.

The next administration is best advised to rapidly put forward a compelling updated vision for U.S. leadership in global health that combines a tough-minded realism with optimism over recent scientific advances and diminished costs. The latter give hope that more can indeed be done with less, and that the arc of the global AIDS pandemic can be turned downward in the foreseeable future. That vision should also prioritize assisting our African and other partners to become far more self-reliant soon: that milestone will be very important in sustaining bipartisan support, as will renewed outreach to the faith community, a diplomacy that gets serious about leveraging more action and commitment from emerging powers, and an intensified multilateralism that keeps support for the Global Fund and GAVI Alliance vital and at center stage for us, our partner governments, and other wealthy states. ■



Foreign Assistance in a Time of Austerity

Daniel F. Runde

In 2013, the new administration will face an immense strain on the foreign assistance budget. The ongoing budgetary impact of the 2008 financial crisis and the competition among debt, entitlements, and defense will take priority over the “150 Account,” which funds diplomacy and development.

The next administration will have to make difficult choices with the U.S. foreign assistance budget while developing creative ways to reposition increasingly limited aid dollars. Several countries will find themselves targets of this increased attention. These “countries of interest” have outgrown or are outgrowing the conditions that allowed traditional foreign assistance to be effective. Some like China and Brazil have developed their own bilateral aid programs, manage sovereign wealth funds, and possess operational satellites in outer space. Confronted with increasingly limited resources, the administration will be forced to reexamine

how it can most efficiently and effectively support continued growth and prosperity in middle-income countries (MICs) while simultaneously maintaining influence and positive relationships.

At the same time, many traditional recipients of U.S. assistance have reached or are reaching MIC status. These countries have experienced significant periods of large-scale growth in recent years and were dealt a milder blow by the financial crisis than was the United States. As they succeed, it will become much more difficult for Washington or other aid donors to justify traditional foreign assistance programs.

In a number of specific country contexts, the next administration must begin to think differently about our aid relationships, pivoting from a development-focused approach to a cooperative approach—to partnerships characterized by collaboration and exchange. To its credit, the Obama administration has begun to anticipate

The United States has gained significant experience in making strategic exits from middle-income countries in the last 25 years.

these changes, announcing new approaches on a limited basis in places like India and telegraphing its intention to close U.S. Agency for International Development (USAID) missions. However, these pressures are going to increase more quickly than the traditional bureaucracy and interest groups are willing or able to move. Many diplomats assume that any assistance program is a way for bilateral engagement. This template must be amended in 2013.

The good news is that the United States has gained significant experience in making strategic exits from MICs in the last 25 years. Several outstanding models may be garnered from these experiences:

- As USAID began its official phaseout of programs in Portugal, USAID and State Department representatives worked with Portuguese officials to develop the Luso-American Foundation (FLAD). This endowed foundation has financed activities in education, technology, culture, science, and commerce.
- USAID's graduation strategy in Costa Rica included the establishment of the USA–Costa Rica Foundation for Mutual Cooperation (CRUSA), a \$47 million endowed foundation that finances projects promoting education, the environmental sector, and the development of science and technology in the country. Like FLAD, CRUSA still includes Americans on its board of directors.
- USAID's 1980 exit from South Korea was smoothed by low-cost, high-impact development finance activities implemented by agencies such as the U.S. Overseas Private Investment Corporation (OPIC), the Export-Import Bank (Ex-Im), and the U.S. Trade and Development Agency (USTDA).

There are a number of “countries of interest” where an end to U.S. foreign assistance could be the source of much-needed savings. If the United States were to exit these countries over three to five years, the U.S. government could recoup several billion dollars from the foreign assistance budget annually.

The next administration could create a series of foundations and legacy institutions or market-based approaches modeled on the examples above, and preferably matched with funding by the host country government, diasporas, and interested private-sector entities. In particular, the administration should focus its work on:

- “brokering” technical advice as opposed to funding social service delivery;
- deepening trade relations through instruments such as OPIC, Ex-Im, and USTDA;
- pursuing triangular cooperation (joint development efforts in third countries);
- developing local civil society and private philanthropy;
- supporting entrepreneurship; and
- supporting cultural exchanges and understanding, education, and scholarships.

These are inherently government functions, but given budget constraints, legacy institutions like those above are effective alternatives to traditional assistance. ■

Public Diplomacy for a New Era

Walter Douglas

You don't hear much about public diplomacy these days. Following September 11, however, strategic communications and messaging were all the rage. Americans asked themselves why some people in the Middle East would do such a thing. The sense was that if we could communicate to people in that wider region, we could overcome misunderstanding and prevent another attack on America.

Public diplomacy soared into the limelight. Reports and studies were commissioned as America looked for answers to how we communicate with the Muslim world. Hundreds of recommendations were offered—some were implemented, most were not. Still, communicating with Muslim populations remained problematic. In retrospect, it should have been no surprise considering that the reports focused overwhelmingly on Washington, not on what actually happens in Muslim countries. In fact, public diplomacy officers with experience in Muslim countries were largely left out.

This was reflected in the recommendations, where the vast majority were Washington related—calls for increasing budgets, more language training, setting up new offices, reorganizing the bureaucracy, or creating private-public partnerships. Real improvements in public diplomacy will only come about through insights culled from decades of experience in the field from officers who understand what works in Muslim countries and what does not.

The first question we must ask is whether “we” understand “them”? Each country and region is vastly different. A Muslim from Algeria has a different interest in Palestinians than one from Saudi Arabia. Typically policymakers settle for one-size-fit-all approaches, reflecting the focus on Washington-based solutions. In fact, public diplomacy requires different priorities in each country.

This leads us to what we are trying to do. Are we trying to “tell America’s story,” as the former U.S. Information Agency mantra would have it? Or are we trying to change behavior within a country, primarily away from violence or “radical extremist views.” Once again, each country is different, and these (or additional) priorities need to be balanced by each embassy.

Real improvements in public diplomacy will only come about through insights culled from decades of experience in the field from officers who understand what works in Muslim countries and what does not.



Public environments in each country are rigged against us. They are not blank tableaus that wait for messaging from America. Freedom House ranks Pakistan 134 out of 196 in its index of press freedom. Most countries in the Middle East aren't significantly different. Communicating in these countries calls for different skills.

The basics count. Social media is important, but not like it is in the United States. Each country is different, but many Muslim countries are not wealthy enough or literate enough to support a large online culture. The eyes are on broadcast, and more narrowly in professional and educational exchanges. That is where we need to be.

English language usage is simply not effective. In Pakistan, the English-language media reaches .01 percent of the media-consuming public. In fact, the debate in Muslim countries is carried on in Arabic, Urdu, Turkish, and other vernacular languages. Look at the bibliography of most Western studies of the region. Vernacular sourcing is extremely rare. Do we believe that

an authoritative report could be written on the United States without English-language sources?

Most of the Washington-driven studies and reports say the tight security at our embassies is intimidating and unfriendly. How important is that? Most of the people we want to influence would never go into an American facility anyway. A good public diplomacy officer gets out of the embassy to build connections with the institutions that serve our target audience.

There is a lot of incomplete information about what actually goes on in Muslim countries. Their countries and cultures are difficult to understand to many of us in the West. But our public diplomacy officers are a valuable source for beginning to understand them.

When the next administration settles in, it would do well to pull some public diplomacy officers back to Washington to hear from them how they think we can better communicate with the people in these vital countries. ■

(These views are the author's own and do not reflect an official U.S. government position.)

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